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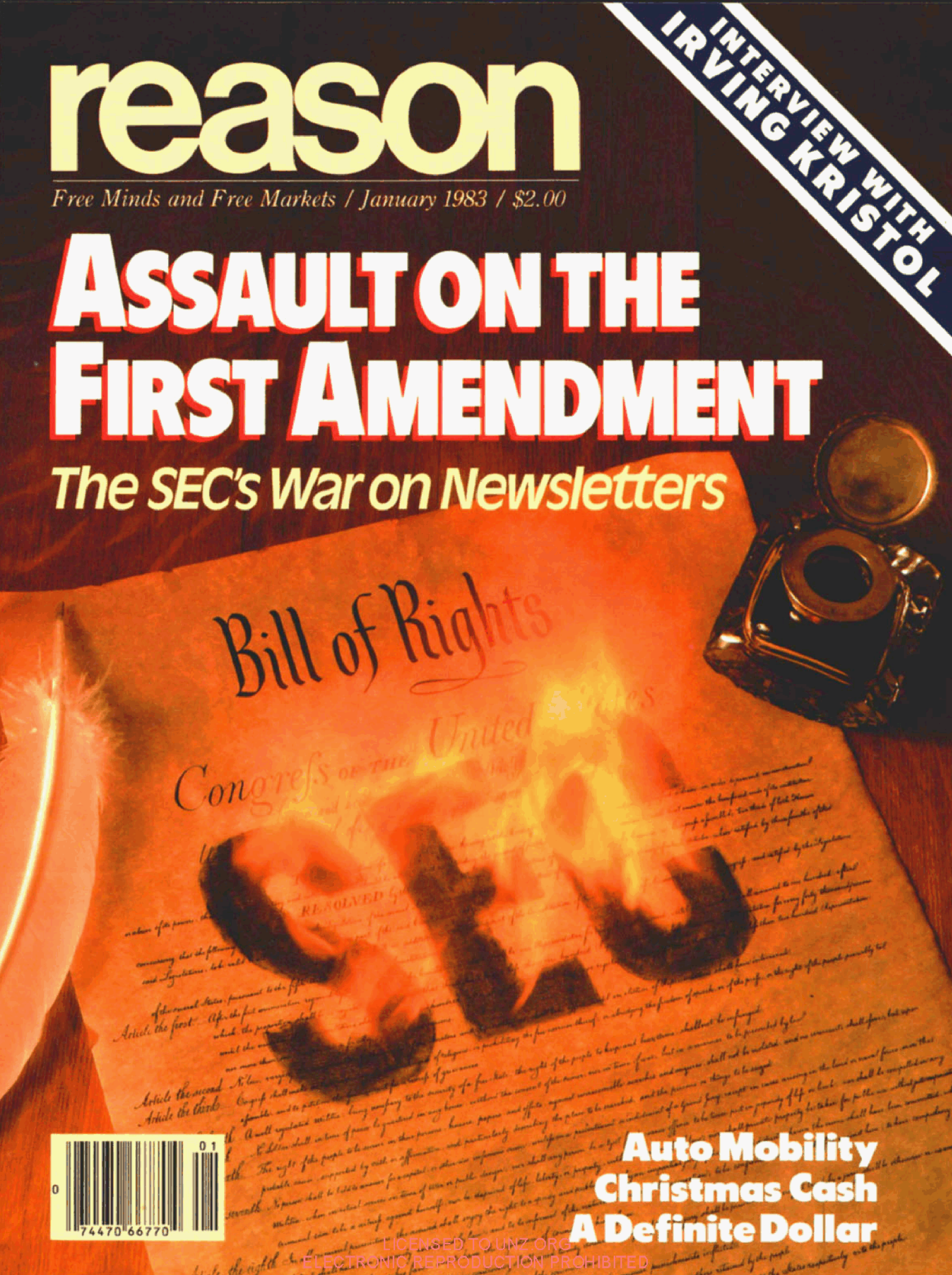
Free Minds and Free Markets / January 1983 / $2.00

INTERVIEW WITH IRVING KRISTOL

ASSAULT ON THE FIRST AMENDMENT

The SEC's War on Newsletters



Auto Mobility

Christmas Cash

A Definite Dollar

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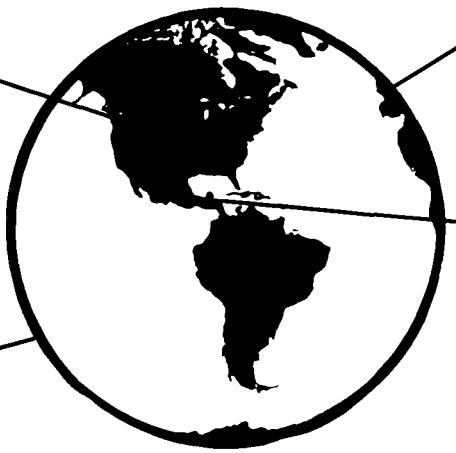
U.S.A: Rated #1 on the International Living Quality of Life Index, largely because of the tremendous variety of climate, cultural attractions and lifestyles. But is the U.S. right for you?

Australia: Australia is the boom country of the 1980's. It is big and open. Miles of deserted beaches. Few people. Vast mineral wealth. Enormous potential for growth. Like California before it was discovered by the rest of the country.



Switzerland: Money. Stability. Prosperity and civility. If you like these things you'll like Switzerland.

Costa Rica: Called the "Switzerland of Central America," Costa Rica is a stable, prosperous country. A person can live well in Costa Rica—with a maid to do the housework—on just about $1500 per month. That's one of the reasons Costa Rica has become home for almost 20,000 Americans.

The world is alive with opportunity—for travel, adventure, profitable investment, personal growth, learning and pure fun. Many of those opportunities are right here in the U.S. But many more are not.

Take *investments*, for example. Last year the U.S. stock market lost about 10%. But stocks in Sweden gained 31%! Those in Singapore were up 16%. In Japan, stocks rose 13%.

Or *real estate.* While high interest rates and high real estate prices make it increasingly difficult to buy a nice home in the U.S., truly gorgeous homes are available in other countries, at bargain prices. And not just bungalows on the beach. Old castles in Scotland. Stunning modern houses in Tahiti. Lovely stone cottages in Ireland.

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INTERNATIONAL LIVING Saves You Money

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Free Minds and Free Markets

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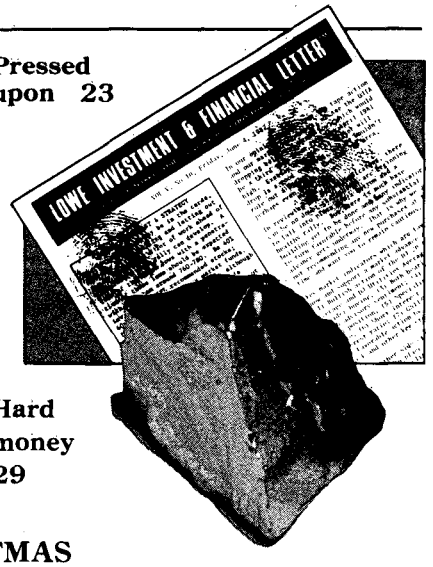


Pressed upon 23

Hard money 29

SUBVERTING THE FIRST AMENDMENT

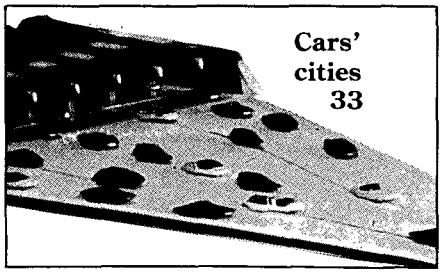
Congress exempted publishers from the agency's regulatory reach. The courts have never upheld its claim to power over publishers. But the Securities and Exchange Commission keeps right on exerting control of financial publications.

By Michael McMenamin and William Gorenc, Jr. **23**

HONEST MONEY

The budget deficit and unemployment are symptoms of a monetary crisis, says one of the architects of supply-side economics. And repairing the damage requires more than money fiddling by the Fed.

By Alan Reynolds **29**



Cars' cities 33

HAVE YOURSELF A COMMERCIAL LITTLE CHRISTMAS

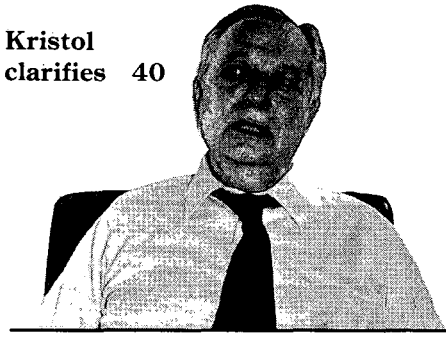
Roll in the cardboard Santas, the advertisers' hype, and the jingling cash registers. It all carries a message for freedom lovers. Or: an unorthodox celebration of Christmas commercialism.

By R. Gaines Smith **31**

VROOM TO GROW

Will cars be the death of cities, with mass transit the only road to recovery? The conventional wisdom says yes, but a more careful look at ailing and healthy metropolises supports a provocative counterthesis.

By Jeff Riggenbach **33**



Kristol clarifies 40

INTERVIEW WITH IRVING KRISTOL

A leading voice of neo-conservatism explains its intellectual tradition, evaluates the Reagan presidency, and defends public control of morality.

By Tibor R. Machan **40**

DEPARTMENTS

EDITORIAL/ Infrastructure Follies 8
VIEWPOINT/The World in Arrears 45
TAXES/Year of Betrayal 46
HEALTH & WELFARE/Pollution Eye Opener 48
SPOTLIGHT/Enterprising Economist 49
NOTES 4
LETTERS 10
BRICKBATS 12
TRENDS 14
ARTS & LETTERS 50

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NOTEs

Another journalism award has come our way. In October REASON was the recipient of the Free Press Association's Mencken Award for the best investigative report of 1981. The winning story was Eric Zuesse's "Love Canal: The Truth Seeps Out," published as our February 1981 cover story and the subject of an *ABC Nightline* program.

Other REASON articles continue to attract notice. Tom Hazlett's July cover story on cable TV was the subject of a hard-hitting editorial in the *Amarillo* (Texas) *Daily News* debunking the natural monopoly argument. The *Washington Times* and the Colorado Springs *Gazette-Telegraph* have published condensed versions on their editorial pages, and the article has been submitted to the Canadian Radio and TV Commission to guide their deliberations on cable regulation. Hazlett was interviewed on cable deregulation on San Francisco radio station KCBS.

Sarah Foster's September cover story on harassment of midwives has been reproduced by the Association of Texas Midwives and sent to all of that state's legislators. The association has also printed excerpts from the article in its quarterly newsletter.

Even earlier articles keep attracting attention. Rep. Jack Kemp (R-N.Y.) inserted in the *Congressional Record* D. G. Soergel's April article, "High-Tech Freeze-out." And Dina Rasor's April cover story on the flaws in military testing, "Fighting with Failures," continues to stimulate calls for reform. In a September 27 editorial the *Washington Post* advocated reform of military testing along the lines Rasor proposes. In addition, the conservative Heritage Foundation has taken to heart many of Rasor's findings on ineffective weapons. Its October 6 Backgrounder titled "What Price Defense?" recommends junking such losers as the Maverick missile, the DIVAD gun, and the M-1 tank.

REASON people continue making waves. Former summer research fellow J. Roger Lee had an op-ed piece in the *Los Angeles Times* (Oct. 13) arguing that prisoners should pay for their own keep by working in market-oriented prison industries. My own op-ed piece urging abolition of the postal monopoly appeared in the *Wall Street Journal* on October 11. Assistant editor Paul Gordon has been elected to the board of directors of the Santa Barbara chapter of the American Civil Liberties Union, an organization where a libertarian presence is all to the good. And Senior Editor Manny Klausner was honored in October as Lawyer of the Year in an award given jointly by the Constitutional Rights Foundation and the Los Angeles County Bar Association. He also won a Second Amendment victory in a Los Angeles labor dispute. Arguing that nonstriking workers at a printing plant beset by a violent strike have a right to self-defense, Manny persuaded a superior court judge to deny a union-sought injunction that would have forbidden the nonstrikers from carrying weapons. He was also active in the campaign to defeat a November ballot measure to impose statewide gun control.

My most recent trip to Washington was cosponsored by the Council for a Competitive Economy and the Heritage Foundation. Its purpose was to introduce my recent proposal for privatization of the air traffic control system. We had a whole raft of productive meetings—with House and Senate transportation committee staff members, at the Office of Management and Budget, with airline people and aviation consultants, and a breakfast meeting at the White House. I addressed CCE's Manchester Forum luncheon and did an interview with ABC Radio News. UPI did a story on my proposal that was picked up by a number of radio stations and newspapers, including the *Washington Times*. Heritage, CCE, and the Reason Foundation are all doing further research to flesh out the proposal in more detail.

Do you want to challenge the thinking of your city council and chamber of commerce? Give them a copy of "New Perspectives on Community Development," a 75-page booklet edited by Reason Foundation fellow Doug Den Uyl. It presents talks on privatization of local services, opening up job markets by ending licensing restrictions, the fallacies of metro government and public housing, etc., by Stuart Butler, Robert Bish, Oscar Newman, Alan Siegel, and me, given in 1982 in Louisville. Copies are available for $4.00 from the Reason Foundation, 1018 Garden St., Santa Barbara, CA 93101.

—R. P.

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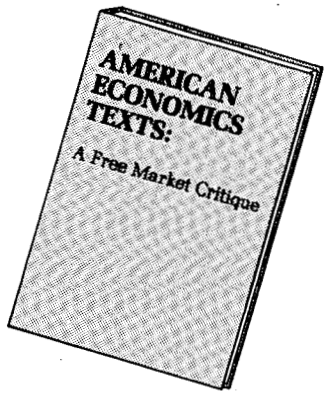

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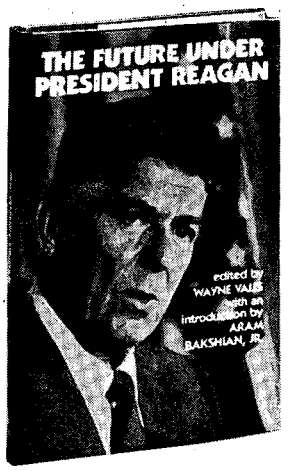

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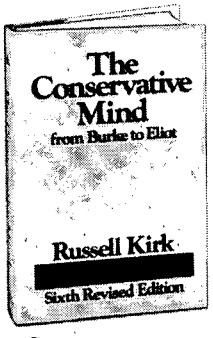

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Infrastructure Follies

When Howard Baker and Tip O'Neill agree that something is in the national interest, hang onto your wallet. With the endorsement of the Senate majority leader and the Speaker of the House, the campaign for a $5.5-billion program to rebuild the nation's transportation "infrastructure" has reached the boiling point.

The move to rush such a measure through the lame-duck session of Congress is the culmination of a year-long crusade by advocates of big government. The opening shot was the publication of Pat Choate's book, *America in Ruins.* Drawing on studies from reputable research institutes, the book documented the growing deterioration of many of our roads, bridges, water systems, and other public works—and raised a call for spending hundreds of billions of dollars on repairs.

The depth of 1982's recession gave political currency to the idea of killing two birds with one stone: relieving unemployment and repairing infrastructure by creating a modern version of FDR's Works Projects Administration. With almost embarrassing orchestration, *New Republic* staff writer Timothy Noah advanced the WPA idea in the September *Washington Monthly,* while that magazine's contributing editor Robert Kaus made the same proposal in the October *Harper's.*

The politicians scrambled to get on board. "America is in ruins," intoned Rep. Henry Reuss (D-Wis.) somewhat unoriginally. Chief tax-writer Dan Rostenkowski (D-Ill.) jumped aboard with a call for a gasoline tax to repair roads and bridges. The "Atari Democrats" belatedly signed on. Soon the GOP was out-promising the Democrats, with Sen. Pete Domenici (R-N.M.) upping the ante to $6 billion for public works. That brought Transportation Secretary Drew Lewis back to center stage with his long-cherished five-cent-a-gallon gasoline tax increase, quickly dubbed a "user fee" by the president and endorsed by Baker and O'Neill just before Thanksgiving.

What's wrong with such a plan? At least two things. It won't even make a dent in today's unemployment. And it won't solve the infrastructure problem.

It won't reduce today's unemployment for three reasons. First, emergency public works programs always take a couple of years to get up to speed—and by then, the recession is over. Economist Donald Ratajczak of Georgia State points out that spending on Jimmy Carter's 1977 public works program peaked in 1979, two years late. "Carter didn't mishandle the program," Ratajczak notes. "That's just the nature of public works."

Second, public works programs are inherently capital-intensive—most of the money goes for materials, not wages. Economist John Albertine of the American Business Conference points out that the cost per job of the Carter public works program was *$87,000.* And only two percent of those employed by it had been out of work for 13 weeks or more.

Third, a federal jobs program cannot create new economic activity. The money, after all, does not materialize out of thin air. All such a program can do is to shift resources out of private-sector activities and into the government sector. FDR's massive public works programs *did* build lots of new post offices. But they had no real effect on unemployment, which was higher in 1939, after six years of the New Deal, then when Roosevelt took office.

Far more serious is the fact that a new public works program would ignore the *cause* of our decaying infrastructure. Simply put, that cause is the political management of our roads, bridges, sewers, and transit systems. Mismanagement has two aspects: bloated costs and deferred maintenance. We get bloated costs because interest groups use their political clout to extract monopoly gains. Thus, Conrail's commuter-service workers *average* $40,300 a year. And the federal sewer grants program has poured $50 billion down the drain building largely unnecessary secondary treatment plants.

Even more serious is deferred maintenance. While vocal special interests carve up the spending pie, the long-term interest of infrastructure users is ignored. Nobody with any clout lobbies for adequate preventive maintenance of politically run facilities. That's why New York's city-owned bridges, water, and subway systems are literally falling apart while public-employee wages reach new highs.

Yet New York and Detroit can point the way to a *real* solution. Detroit's investor-owned Ambassador Bridge and New York's authority-owned George Washington and Triborough bridges are in excellent repair. Why? Because they are *outside* the political process, run by corporate entities and financed by tolls. Similarly, the nation's turnpikes and tollways are in good repair, in marked contrast to the often-decrepit interstate highways. Turnpike operators charge tolls that make heavy trucks actually pay their way, based on weight and distance, rather than the so-called user taxes (gasoline taxes) by which heavy trucks cover less than 50 percent of their costs.

The solution, in short, is *privatization* of infrastructure. For highways, simply repeal the current federal ban on charging tolls on interstates and allow their transfer to independent authorities—or, better yet, to private investors. The same can be done with major bridges.

In congested urban areas, adding toll booths to bridges and expressways would increase congestion. So the solution here is electronic metering, discussed in this issue (p. 18) and in last January's cover story. This would permit tolls to be raised to high levels during rush hours, providing strong economic incentives for car and van pooling.

For transit itself, the answer is not to dump more billions into subway boondoggles for Houston and Los Angeles. The solution is to deregulate urban transit, allowing mini-bus, van, jitney, and cab service to meet the need for flexible, decentralized service at marketplace rates (and wage levels). And then to privatize existing transit systems, selling off their assets to private operators. Even New York's subways could be viable under private ownership, as we showed in last May's cover story.

We do have an infrastructure problem. But the way to solve it is not to throw money at it. A new WPA would simply perpetuate the political causes of the problem. And it wouldn't even provide the jobs its advocates promise.

Robert Poole, Jr.

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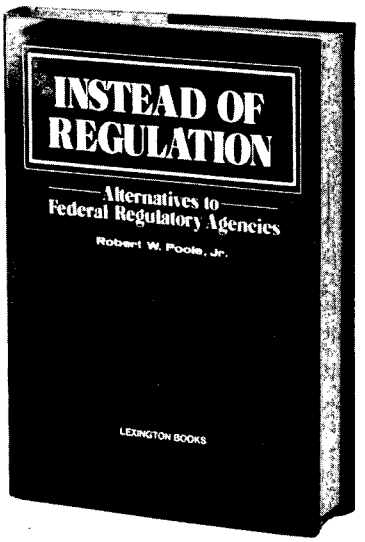

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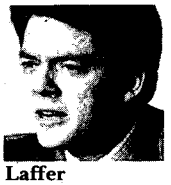
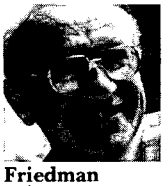
WHAT THEY'RE SAYING

Copies of *Instead of Regulation* are being read at the Council of Economic Advisers, at OMB, at regulatory agencies, and in Congress. Sen. Paul Laxalt says the book "provides thoughtful insight on some of the major problems facing us." Rep. Thomas Kindness calls it "a thought-provoking work of central value to everyone concerned with the future role of government in our nation."


Laffer

Leading advocates of the free market have also endorsed the book. Milton Friedman calls it "a sure-fire antidote to regulatory fever — authoritative, lucid, crammed with both evidence and attractive alternatives." Arthur Laffer says, "*Instead of Regulation* sets out the agenda for deregulation in the 1980s." And William Simon calls it "the most thorough debunking of government regulation yet assembled between two covers."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Letters

Earthly Emendations

In his article, "Inheriting the Earth" (Nov.), Joseph Martino argues that a property seller has, in effect, an *affirmative duty* to inform a prospective buyer that he has used it for toxic waste disposal; otherwise, the seller is guilty of "fraud and deception." It is also clear from what Martino says that he is not, for example, talking about a case in which the seller has falsely answered a direct inquiry from the buyer concernng what the land has been used for.

Such a position requires the seller to be a mindreader if the buyer does not initiate the discussion of what he considers important about the property. For instance, an oil prospector might like to know that the seller has already recovered most of the oil and has removed his drilling operation. An organic farmer might want to know that inorganic fertilizers and pesticides have been used there for decades. And a religious congregation might think twice about erecting a church where a brothel once did a roaring business.

But unless these prospective buyers directly question the seller about the things *they* (not Martino or others) consider significant, and the seller knowingly answers falsely, it is very difficult (if not impossible) to argue that fraud or deception has taken place. Rather, the buyer, in agreeing to the purchase, has decided that whatever information the seller has provided is *sufficient for him*, so that, morally and practically, there is no need to place a positive obligation upon the seller. Moreover, matters of this kind could be handled, for example, by bonded or insured independent agencies that take soil samples, etc., and certify (on pain of damage suits) that the property meets certain standards.

Martino also argues beautifully that present owners of land adjacent to land used for "impermanent" toxic waste storage "have a legitimate grievance *in the present*" (his emphasis).... But, for instance, starting a coal mine would raise the value of adjacent property for building a steel mill but would decrease it for residential purposes. Thus, the emphasis here should be placed on the possible *direct harm* to adjacent property (and possibly the owner's health), *not*, as Martino puts it, on "a diminution of the value of potentially affected property." With this correction, I agree with his argument.

Finally, I would add that such weaknesses point more to the complexities that confront all free-market thinkers when dealing with so-called externalities of the free market, so I also applaud Martino for making a valuable contribution to this effort.

Bruce K. Bell
Santa Monica, CA

Remedial Remedy

As a school psychologist who deals with children's learning problems on a daily basis, I have some concerns about Samuel Blumenfeld's excellent article about the so-called look-say approach to reading instruction ("The Victims of 'Dick and Jane,' " Oct.).

Different reading programs "load on" different cognitive traits. No one trait is distributed evenly throughout a population. For example, highly phonetic reading programs require a child to have a certain level of auditory discrimination. This is the ability to discriminate among similar sounds—*th* vs. *ph*, *th* vs. *f*, *ss* vs. *sh*, *sh* vs. *th*, etc. Yet, for any given population of primary-school children, all with normal hearing acuity, there is going to be a considerable range of ability for auditory discrimination. No claim is made here that children with the lowest levels of auditory discrimination will be unable to learn reading by a purely phonetic approach; they will just learn more slowly than their classmates and will thus be identified as "remedial."

In schools where the "look-say" approach is exclusively used, a similar problem is seen, albeit greater for the concerns that Mr. Blumenfeld so eloquently describes....The look-say method requires better-than-average visual discrimination, figure-ground perception of spatial relationships, and especially visual memory and association. *Better than average* means that half of any given population is going to fall short of the minimum requirements for success with the look-say method; no wonder we have a fiasco. However, for a considerable number of children, the "look-say" method is a better way to teach *primary* reading, because adequate auditory discrimination is not yet in place.

I suggest, then, that the problem lies in the entire notion that there must be one best way to teach something to everyone....Therein lies my criticism of Mr. Blumenfeld's otherwise excellent article. He focuses our attention on one method of reading and points to *that* as the reason Americans are becoming steadily more illiterate. Instead, I think the problem is germane to the entire notion of a school system that must serve "everyone." As soon as a school system opts for one or another exclusive approach to reading instruction, it necessarily condemns a portion of its students to remedial status. Only a variety of schools, with a variety of reading approaches, can teach the greatest number to read. Most REASON readers would agree that only the free market can or ever will achieve this end.

Stephen G. Barone
Platteville, WI

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The Freedom To Take a Walk

As residents of Communist Bloc countries know first-hand, the right to migrate is a sacred individual right, even though the authorities proscribe it. But that's Communism, one might say: It can't happen here. Oh yeah? Clemson University's Richard B. McKenzie has noted rising official constraints on American firms to relocate in the United States.

And now Jim Murray details in "Football Slaves" (Oct.) the ruling of left-minded grey-beards in the California Supreme Court to allow Oakland to invoke eminent domain and sue to keep the Raiders from moving to Los Angeles.

For now, though, it's the *Los Angeles* Raiders. Still, leftward thinking pushes on, to the detriment of liberty. Ludwig von Mises observed in his *Planning for Freedom*: "There is no other alternative to totalitarian slavery than liberty. There is no other planning for freedom and general welfare than to let the market system work. There is no other means to attain full employment, rising real wage rates and a high standard of living for the

common man than private initiative and free enterprise."

William H. Peterson
University of Tennessee
Chattanooga, TN

Feminism Fatale

It isn't often that I disagree with carefully edited REASON. And as a general rule I do not like splitting hairs.

But your editorial response to author Peter Schwartz's letter is not fully valid. I believe that you have failed to differ between the individual and the (Feminist) Movement.

Mr. Schwartz is correct in pointing out that the Feminist Movement is collectivistic and anti-individual in fundamental philosophic approach. It is difficult for me as an individualist to understand how anyone who fully accepts the principles of individualism as expressed in REASON finds it rational to work within special-interest groups proclaiming narrow goals, such as the Feminist Movement. I know *their* rationale (and they need not write me a letter in explanation), but that still does not alter the fact of their confused association within the group.

Philosophically, individualism must, by its nature, deal with singular and certainly gender-free goals. That there is some irrational discrimination between individuals that ideally should be eliminated is obvious. But given the current state of the individual versus the collectivistic, breakdown into special-interest groupings is divisive and nonproductive. All individuals who pursue the primary philosophic goal through a special-interest approach must assume responsibility for the overall principles making up the basic premises of the group. If a special-interest group is fundamentally collectivistic in its goal, then there is an obvious contradiction with individualism which the individual must face. To me this would seem to be a serious contradiction in principles and an acceptable point of criticism.

Philip K. Goldman
Goleta, CA

The editors reply: The problem with Mr. Goldman's position is that there is no such thing as a monolithic "Feminist Movement." There are feminists who are collectivists and there are others who are individualists (such as the members of the Association of Libertarian Feminists). To be an individualist feminist is not a contradiction in terms; it means simply being an individualist who has special concerns about the problems faced by women in today's society.

Health Comeback

The editors provided a fine reply to the letter from Jane M. Orient, M.D. (Oct.), who had objections to some of the contents of our July 1982 column, "Sex Play." We would like to add a few comments of our own.

The severe side effects cited by Orient for the hormone vasopressin can in fact occur but have not been observed in the use of Diapid® nasal spray. In some pituitary tumors, huge quantities of vasopressin are released, and it is under these conditions, often involving 100-1,000 times the usual doses of Diapid® taken by patients with diabetes insipidus, that the dire consequences cited by Orient can take place. *The Physician's Desk Reference* (1981 edition) says, "With clinical use of Diapid (lypressin) Nasal Spray, adverse reactions have been infrequent and mild." The doses capable of improving memory and learning (or intensifying and prolonging orgasms) are *even smaller* than doses typically used by diabetes insipidus patients.

There is nothing "alleged" about the intelligence-increasing effects of synthetic versions of vasopressin. In addition to quite a number of animal experiments, there have been several double-blind placebo-controlled human clinical trials that have all demonstrated these effects. These studies have shown *no* alterations of electrolyte-water balance, water retention, urine volume, or blood pressure in the doses required to produce these effects.

With respect to the possible long-term adverse effects of bromocriptine, we never suggested that this or any nutrient or drug was perfectly safe. In our book, *Life Extension: a Practical Scientific Approach*, we repeatedly stress, as we have in our series of columns, the importance of having regular clinical tests, particularly complete differential blood cell count and liver and kidney function. The adverse effects on lungs and pleura referred to by Orient are probably secondary to the renal damage that has been

(Continued on p. 57)

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brickbats

From the Poetic Justice Department: Howard Daniels, a 24-year-old Bronx, N.Y., gunman, shot himself in the groin during a struggle with his intended rape victim.

Martha Jean Steinberg may have the solution to the nation's crime problem: prayer—with a vengeance. The Detroit gospel radio hostess didn't exactly turn the other cheek when some nonbeliever stole her brand-new car. Instead, she took to the airways and threatened to call down the wrath of the Lord against the car thief and anyone who witnessed the crime but didn't call the police immediately. When Miss Steinberg returned to her Home of Love Church, she found the car parked in its usual place—with the gas tank filled.

When the alcoholic beverage industry was offered a gift of almost total deregulation by the Reagan administration, the nation's distillers, brewers, and vintners turned the color of Ripple. These captains of the grain and grape spoke right up and said they do not wish to be freed. Instead, they'd like the federal government to set basic standards and preempt the 50 states' passing their own laws. Deregulation would save the government about $12 million a year, but the brewers say they *want* the government to tell them what they can put in their bottles and on their labels. Richard B. Thornburg, spokesman for the National Beer Wholesalers Association, said, "The industry has grown up with regulation and feels very confident with it." It's almost enough to make one a teetotaler.

Tarzan, everyone's favorite king of the jungle, got tangled in the vines of Yugoslavian censorship. Why? Old movies of the counterrevolutionary in loincloth have so corrupted the minds of socialist youth that they're jumping out of trees and aping the blood-chilling cry of Johnny Weismuller. Belgrade newspaper *Politika* quoted a leading orthopedist as saying the number of broken limbs and other injuries was up 15 percent during the month the movies were shown on television. *Kojak* may be next on the censor's hit list: the state lollipop collective couldn't handle it.

Canadian bureaucrats are no slouches when it comes to proposing idiotic regulations. The Canadian Transport Commission thinks that airlines should be obliged to provide a special seat at no extra charge to accommodate an obese passenger and a free seat to an escort of a handicapped passenger. There's been no word yet on exactly how the airlines are supposed to determine how fat a person must be to qualify for the benefit, but they're working on it—probably over lunch.

MARTIAL LAW MUST BE LIFTED! WE WILL NOT CONDUCT BUSINESS AS USUAL WITH THE FORCES OF OPPRESSION!!
MARCOS
AHEM—WE EXTEND A WARM WELCOME TO OUR GREAT FRIEND AND ALLY, AND DEMOCRATIC FORCE FOR STABILITY IN THE FAR EAST!
MARCOS
SORRY—ONE OF MY POLAND INDEX CARDS SLIPPED IN...
THAT'S ALL RIGHT, MR. PRESIDENT— IT COULD HAPPEN TO ANYONE.
MARCOS

Being a federal government deadbeat hasn't stopped one young bureaucrat in the Department of Education from securing other forms of credit. Senate investigators say the unidentified wastrel has steadfastly refused to pay a dime on a $40,000 graduate school loan he received from the government. This creative financier is one of 36,000 federal employees who've been able to avoid paying their debts because up until now, a federal law protected their paychecks from garnishment. A new law has been passed, but it remains to be seen how many employees will now pay up. Oh, our friend in the Education Department: He had no problem getting an $18,000 commercial loan to buy a Porsche. Now when he takes Uncle Sam for a ride, he'll be able to do it in style.

Diplomatic immunity means never having to say you're sorry. Nam Chol Oh, third secretary at the North Korean mission to the United Nations, is free as a bird, and there's nothing the cops can do. He is accused of sexually abusing a Bronx, N.Y., woman at a park while several members of the mission staff were picnicking nearby. The woman was grabbed from behind, thrown to the ground, and beaten as the diplomat attempted to rape her. She made a positive identification, but the State Department stopped police from arresting the vermin. We certainly wouldn't want to offend the North Koreans, with whom we haven't had formal relations since the 1950s.

Why can't you find a cop on a New York subway? Because they're too busy handing out summonses to owners of clean, safe, and efficient vans that compete with the Metropolitan Transportation Authority. The MTA is afraid it will lose $50 million this year from riders who prefer the vans to the city's subways and buses. City bus drivers who fear losing overtime as business sags have on occasion forced vans off the road. Plainclothes cops from the city's crack anticrime squad have taken more than an hour to write up summonses—usually at rush hour. Most of the tickets have been thrown out of court, but the cops are under orders from Mayor Koch to keep writing them up. Now *that's* protection for the subways.

—MARK EDWARD CRANE

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TRENDS

SILVER LININGS ON ELECTION-DAY CLOUDS

Mario Cuomo, an otherwise unexceptional New York pol, made one memorable comment during the 1982 election season: "All political campaigns get involved in smoke and mirrors, but this is a cloud of unprecedented density." The cloud to which he referred extended far beyond the borders of New York State. Even so, there was some very encouraging news in the election results, often in the unglamorous but noteworthy initiatives and referenda that were voted on in several states.

There were instances where voters showed a healthy regard for preserving individual liberty. Midwestern bluenoses suffered defeats at the polls as Minnesotans voted to legalize parimutuel betting on horse racing, and North Dakotans approved a measure that will keep alive their legal right to play $2-a-hand blackjack. A well-publicized handgun control initiative failed in California. Less well known is the fact that voters in Nevada approved a constitutional amendment that guarantees the right to keep and bear arms "for security and defense, for lawful hunting and recreational use and for other lawful purposes." And New Hampshire voters approved a similar constitutional amendment by a resounding 72 percent.

Voters were generally far more suspicious of government spending boondoggles than they would have been even 10 or 20 years ago. Alaskans tossed out a proposal for an igloo Brasilia that would have meant the spending of as much as $2.84 billion to move their state capital from Juneau to a tiny town 580 miles away called Willow. In a slightly warmer climate, Dade County, Florida, voters voted by a two-to-one margin against a sales tax increase to finance construction of a new Orange Bowl.

The spirit of California's tax-cutting Proposition 13 didn't carry the day in every instance—indeed, in California itself, all five bond issues on the ballot passed—but there were some victories for proponents of tax decreases. Texans approved a proposal to repeal the last remaining statewide property tax. Idaho voters okayed a referendum that exempts from taxation 50 percent of the value of their residential property. And West Virginians passed a constitutional amendment that will base property taxes on 60 percent of the property's assessed value, thus nullifying an earlier decision by the West Virginia Supreme Court. Ohioans declined an opportunity to raise their state sales tax by a penny to finance 150-mph bullet trains connecting the state's largest cities.

Happily, some obnoxious interferences with the free market bit the dust in November as well. A proposal in Washington State to limit consumer interest rates to 12 percent was turned down by voters, and in four states, measures that would have required deposits on soft drink and beer bottles were defeated.

So even clouds of unprecedented density can have their silver linings. Incidentally, Cuomo, hardly the most liberty-oriented candidate in the country, ultimately had little reason to complain: he's now the governor-elect of New York.

CHOOSE YOUR PHONE SYSTEM

There are phones in your future—multiple phones. For the first time since about 1910, when exclusive franchises were granted to local telephone companies, we're about to have a choice of local phone systems again. That's the word from no less an authority than *Business Week*, whose October 11 cover story profiled these explosive telecommunications developments.

First of all, 21 companies are now seeking permission from the Federal Communications Commission (FCC) to build what are being called "digital termination services"—microwave and radio-based local communications systems designed to connect homes or businesses to long-distance voice or data services. The firms include Graphic Scanning, GTE, Isacomm, ITT, MCI, RCA, Satellite Business Systems, Tymnet, and Western Union.

Another approach is to use fiber optics to connect local customers to satellite long-distance services. That's what Merrill Lynch and the Port Authority of New York and New Jersey plan to do with their $300-million Teleport project on Staten Island. Teleport will harbor 17 earth station dish antennas serving 22 or more satellites. Using a network of fiber optic cables, it will link Manhattan's financial district, Jersey City's business district, and eventually even Long Island, southern New Jersey, and Albany to the earth stations. Initially only large firms will have their own fiber optic "tail," with others having to rely on local phone lines. But eventually, says Merrill Lynch's Stan Welland, every home could tie in directly via cable TV lines, bypassing the phone company completely.

The third alternative is the soon-to-begin cellular radio technology. Initially limited by the FCC to two companies per city—the existing phone company plus one radio common carrier—the cellular systems will aim first at the huge pent-up demand for mobile phones. The initial walkie-talkie-size units cost about $2,000. But soaring demand, fierce competition, and microcircuit technology are likely to yield rapid reductions in both size and cost—for example, to $100 wrist radios à la Dick Tracy. At that point, competitive pressures will very likely make a legislated duopoly unsustainable, and a real free market will be permitted.

Given these competitive realities, keeping the poor local telephone companies under rate-of-return regulation is a prescription for disaster. The last thing they need is to have to clear each pricing and service decision with a big-brother regulator. Telephone investors ought to face the reality that what their newly spun-off firms need most is freedom to compete.

LET A HUNDRED MAIL CARRIERS BLOOM

Sylvia Porter has joined the ranks of the converted.

Porter, a widely syndicated columnist and one of the most respected authorities in the country on personal finance, "finally exploded" a few months ago when a first-class letter mailed to her 8th Street address in New York City from 38th Street took 11 days to arrive. She wrote in her column, "Why does Congress still give the Postal Service a monopoly on delivering first-class mail? Why not find out what would happen if we open up this business to competition, as we have with package delivery,

express mail, and delivery of newspapers, magazines, and advertising material?"

Porter is not alone. As the state postal monopoly on first-class mail continues to infuriate more and more of its customers, and as the contrast between the quality of parcel-post mail delivery and private-sector package delivery grows more stark, sentiment for doing away with the monopolistic private express statutes is increasing.

Columnist Donald Lambro, for example, has pointed out that in addition to lousy service, the statutes have indirectly restricted growth of the job market at a time of high unemployment. "One of the major growth industries in recent years," Lambro wrote, "has been the express-mail and package delivery business, which has created new employment for skilled and unskilled labor. But entrepreneurs who have in the past tried to enter the first-class mail business, offering to deliver the mail more efficiently and cheaply, have been driven out of the marketplace by the government."

Federal Trade Commission chairman James C. Miller has joined the chorus. He testified before the Joint Economic Committee of Congress: "Repealing the private express statutes would essentially force the USPS to reform its rate structure and improve its operations, or go out of business." And the Justice Department during the Carter administration issued a report criticizing the postal monopoly on antitrust grounds.

A new voice has recently joined the swelling chorus of Porter, Lambro, Miller, and company—the National Health Federation. As the only show in town, the Postal Service claims and exercises a little-known right to ban from the mails publications it considers objectionable. It has prohibited the mailing of a booklet called *Stale Food vs. Fresh Food* because "the representations of the booklet were contrary to the weight of informed medical and scientific opinion. "But as Maureen Salaman of the federation told *Libertarian Forum*, "The 'weight of informed medical and scientific opinion' once held that the earth was flat, that the sun revolved around the earth, that 'bleeding' a sick person was a cure for illness. . . . Where new ideas have been suppressed, the growth of human knowledge has stagnated."

Salaman's arguments get short shrift from the Postal Service power seekers, however. Indeed, they regularly monitor a number of publications sent through the mails, eager for an opportunity to pounce. They are also looking forward to enjoying expanded powers to regulate the content of mailed materials if two companion bills, sponsored in the House by Rep. Claude Pepper (D-Fla.) and in the Senate by David Pryor (D-Ark.) and endorsed by the Reagan administration, are passed.

According to Salaman, however, the real issue cuts deeper than the Pryor-Pepper legislation. After the fight against those bills has ended, she proposes "to get a bill through Congress abolishing the government monopoly on postal service, so that never again will would-be Thought Police be able to come so close to eliminating freedom of choice and freedom of thought in the land of the free."

It is some small comfort to realize that the Postal Service is not totally oblivious to its opposition. The chairman of Postal Service board of governors, Robert L. Hardesty, recently fumed that repeal of the private-express statutes would lead to a game of "Russian roulette" (a peculiar metaphor, since free markets are not yet common Russian practice, and mailing a letter via a private-sector carrier might very well be considerably less of a gamble than with the USPS). Hardesty warned that if the private-express statutes are repealed, the "postal system as we know it today would be destroyed."

To which millions of irate customers might respond, "Is that a promise?"

ICBMs: Defense Is No Longer Blue-Sky

The campaign to shift the focus of US strategic programs from offense to defense has attained several milestones. In October the Reagan administration proposed spending $7 billion over the next five years on ballistic missile defense. Included in the plans are both point defense of missile silos and long-range systems to intercept and destroy enemy warheads, using nonnuclear kill mechanisms, both in space and in the atmosphere.

In addition, Secretary of Defense Caspar Weinberger has endorsed the concept of space-based defense against ICBMs using laser weapons. *Aviation Week* (Sept. 27) reported a meeting between Weinberger and Sen. Malcolm Wallop (R-Wyo.), the leading congressional advocate of space-based defense.

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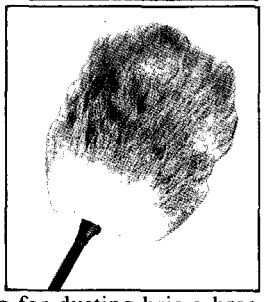
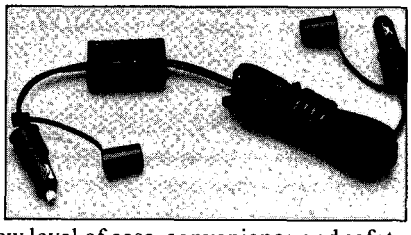


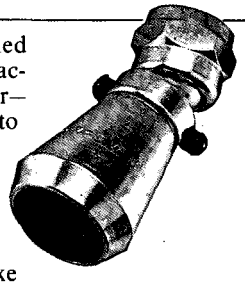
If we ever compile a book on *The Old Ways That Were Better Ways,* we will certainly include a chapter on the lambswool duster. This remarkable implement originated, the best we can tell, in 19th-century England where it quickly put the feather-duster to shame. On its own it actually attracts and holds dust like a magnet. The static charge in the lambswool causes dust literally to leap off surfaces where it has accumulated, making this just the thing for dusting bric-a-brac, china, crystal, pictures and other fragile items. When soiled, just wash it in warm soapy water. We are happy to offer a 20" authentic lambswool duster for **$8.00** ($1.95) #A163.

Beyond Jumper Cables

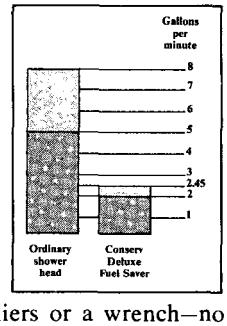


Your car battery is dead. How would you like to recharge the battery and start the car *without ever even opening the hood?* Sound impossible? It's not, thanks to the Easy Charge, which takes the old idea of jumper cables and refines it to a new level of ease, convenience and safety. With traditional jumper cables you have to maneuver a second car fender-to-fender with the disabled car, open both hoods, and attach leads from battery to battery. The Easy Charge simplifies this process brilliantly by substituting connection from cigarette lighter to cigarette lighter. You just plug one end of the Easy Charge into the lighter of a running car, pass the 16' cord through both car windows and insert the other end in the lighter of the disabled car. A trickle charge immediately starts flowing into the dead battery. After a few minutes' wait the battery is recharged sufficiently to restart the car. The Easy Charge comes in a handy plastic storage envelope, is small enough to fit in the glove compartment and costs just **$20.00** ($2.95) #A629.

Savings In The Shower



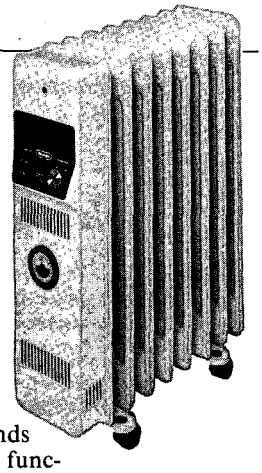
This finely crafted shower head called the Deluxe Fuel Saver and manufactured by Con-Serv, cuts the use of water—hot water—in the shower from 5 or 8 to 2.45 gallons per minute. With the conventional shower head, the average family of four uses 300 to 400 gallons of water—much of it heated—everyday. According to U.S. Department of Energy figures, with the Deluxe Fuel Saver that same family uses 70% less water in the shower and realizes a savings of between $150 and $350 depending on the utility rates. Although the amount of water is significantly reduced, it is aerated and accelerated—utilizing the Venturi principle—for an invigorating shower. The Deluxe Fuel Saver also offers a "trickle valve" that allows you to stop water flow while soaping up. Made of chrome-plated solid brass, the Deluxe Fuel Saver is accompanied by a one-year limited warranty. It installs easily over the standard ½" shower arm with pliers or a wrench—no plumber is needed. We offer the Con-Serv Deluxe Fuel Saver for **$16.00** ($2.95) #A351.



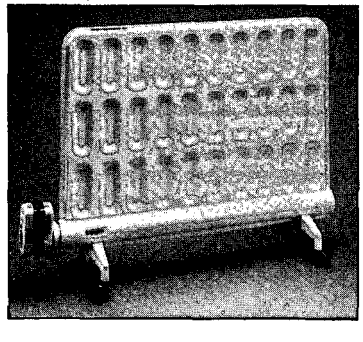
Electric Mini Kettle

How many times a day do you boil two or three (or more!) times as much water as you actually need? Because of the way our kitchen pots are designed, we usually indulge in overkill—wasting money (for the energy to heat all that unused water) and time (the more you heat, the longer it takes to boil). At last someone has had the good sense to design a kettle for boiling small amounts of water, from a tablespoon or so (in seconds) to a maximum 4 cups (in a little over 4 minutes). The mini-kettle is metal below, plastic above with a steam guard and a cord just under 3' long. The non-stick inner surfaces discourage mineral build-up. The mini-kettle is made in Canada, UL listed and backed by a 2-year limited warranty. It sells for **$24.00** ($2.95) #A603.

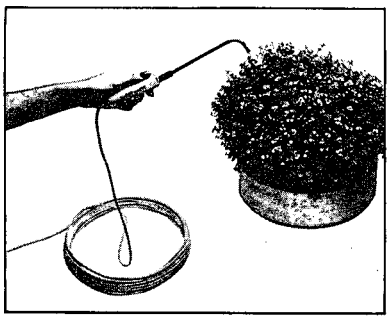
Heat Where You Need It



We've tried many different space heaters in search of the best combination of safety, economy and heating efficiency. The two portable oil-filled radiators presented here won our favor for many reasons, especially safety. There are no exposed flames, they do not get overly hot (making them suitable even for a child's room), and they emit no fumes or odors. They are filled with a special oil that heats up quickly, cools down slowly and never needs replacing. Both styles have easy roll wheels for room-to-room portability and a built-in thermostat that responds to changing room temperatures. When functioning as a supplement to your central heating system these European-made heaters can make your home more comfortable and much more energy efficient. The **DeLonghi** heater, shown above, has a feature not common to most space heaters—*an automatic timer. You can program it to go on and off in 15 minute intervals day or night.* For example, set it to go off a few minutes before you wake in the morning so your bathroom or bedroom has started to warm before you get up! This unit has three heat settings (600w, 900w, 1,500w) and provides a maximum of 5,100 BTUs. The DeLonghi, Model 9308T, comes in a neutral oyster color, weighs 38 lbs and is UL listed. This model with automatic timer is *not generally available in retail stores* and costs **$150.00** ($12.95) #A485. The **Dimplex** panel radiator, (below) offers an unusual, yet attractive contemporary design. The large heating surface of the panel provides an ideal balance of half radiant and half convected heat—no energy is wasted. The unit draws a maximum of 750 watts and produces 2559 BTUs. It's 31½" long x 23½" high and comes in two colors: bronze #A563 or white #A562. The Dimplex radiators cost **$150.00** ($12.95) each.



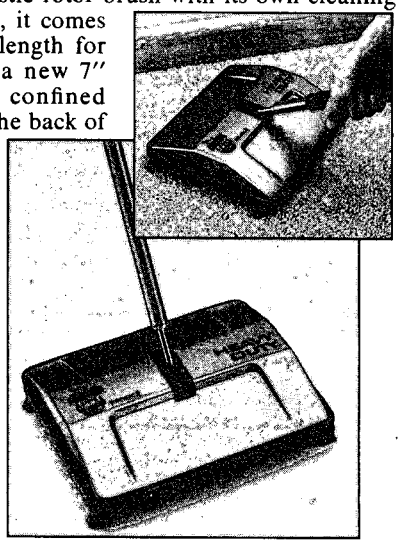
Watering Whiz



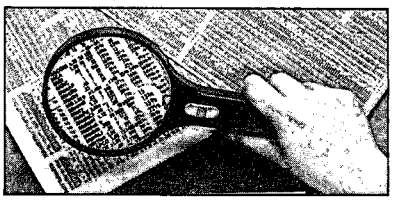
Do your houseplants run you ragged, back and forth, trip after trip, watering can in hand? There *is* an easier way: with an indoor garden hose you can water them all in a single trip. Think of the steps waiting to be saved! This 50′ (that is a *lot* of reach) vinyl hose readily attaches to any household faucet. From there you just take the water where you want it—an easy-control handle allows you to turn a splashless stream of water on and off as needed. This indoor hose comes with a snap-in misting attachment, so after you water the roots you can spray the foliage and wash away the dust accumulation that impairs a plant's health as well as its beauty. The complete indoor garden hose kit costs just **$11.00** ($1.95) #A341. It will make your watering almost as simple as turning on the faucet.

A Clean Sweep

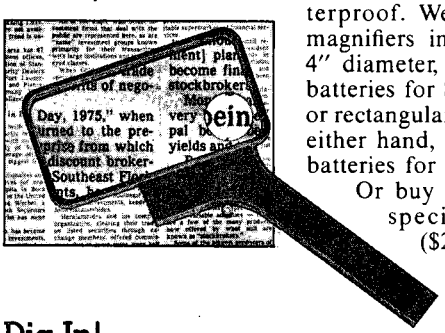
Vacuums are great when you are cleaning the whole house, but for those quick little daily clean-ups most of your effort goes into dragging out the clumsy machine and then putting it back. Which is why almost everyone can benefit from the new compact carpet sweepers. They are perfect for those fast jobs like picking up crumbs from under the kids' chairs or disposing of the dust kitties in the hall. The Appel sweeper is the first of an improved second-generation of these convenience cleaner-uppers: it has larger wheels for better traction on thick carpeting, an all-around rubber bumper strip, cushioned dust pan covers for rattle-free operation, horsehair corner brushes for cleaning tight up to things, and a replaceable boar-bristle rotor brush with its own cleaning comb. Most helpful of all, it comes with 2 handles, standard length for stand-up operation and a new 7″ handle for cleaning in confined spaces, on the stairs or in the back of the station wagon. The Appel sweeper works on bare floors as well as carpets. Its heavy duty all-metal construction assures long life and good service. The sweeper unit measures 7½″x9″ and weighs under 2 lbs. The head folds flat against the handle for easy storage. The Appel sweeper is American-made (by the Bissell company), comes with a 5-year warranty and costs **$31.00** ($3.95) #631.



Conquer Fine Print

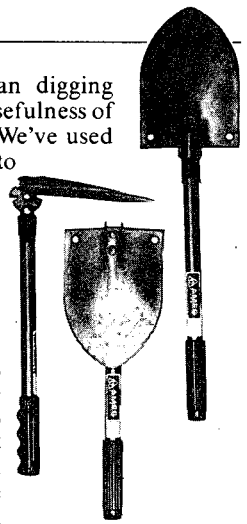


The best way to beat fine print is to blow it up—with an illuminated magnifier. We keep ours near the telephone and use it for the phone book, medicine labels, dictionaries, classified ads, stock tables, knitting directions, TV listings and maps. The kids use it a lot to get a closer-up view of bugs and flowers and such. The battery-powered Electro-Optix magnifiers are American-made with a 2½-power optical-grade plastic lens with a 5-power insert bifocal eye. The lenses are distortion free, water clear and shatterproof. We have these lighted magnifiers in two models—round, 4″ diameter, 9 oz., using two "C" batteries for **$18.00** ($1.95) #A550; or rectangular, 2″ x 4″ reversible for either hand, 5 oz. using two "AA" batteries for **$16.00** ($1.95) #A551. Or buy both together for the special price of **$32.00** ($2.95) #A552 and put the smaller one in the car for mapreading.



Dig In!

You don't need to be an infantryman digging foxholes under fire to appreciate the usefulness of a rugged highly portable folding shovel. We've used ours to chop away ice dams on the roof, to shovel cement into forms, to pry rocks out of the ground, and to dig the car out of a snowbank. It goes on camping trips, for digging firepits and trenching tents against rain. It goes to the garden, filling that inconvenient void between undersized hand trowels and full-sized shovels. In the winter it goes into the car, for coping with snow and ice. In the summer it goes to the beach, where the kids play with it for hours on end. In short, it gets more use than any other shovel around the house. It is light and easy to use and stores handily. The shovel is all-steel, weighs only 2 lbs, and is built to last for years. The blade locks in each of 3 positions: folded, for storage or travel; at 90°, for scraping or hoeing; fully extended, for normal digging. The blade is 8½″x6″ and the 18″ handle has a molded plastic handgrip. The folding shovel costs **$15.00** ($2.95) #A630.



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According to Wallop's account of the meeting, Weinberger acknowledged that long-term strategic needs will require a shift from an offensive to a defensive strategy. Based on technical briefings during the meeting, Wallop reported that there is no longer any argument that the United States could, within five years, deploy a 5-megawatt laser weapon in space that would be effective against current (nonhardened) Soviet missiles and high-altitude aircraft. Further, the capability exists to build a 10-megawatt system that could overcome hardened targets.

Under current plans and funding, no actual demonstration laser weapon could be in orbit before 1990, according to the Defense Department. But several years could be sliced from that timetable with increased funding or crash-program efforts. Wallop reported that several aerospace firms have offered to provide subsystems on a fixed-price basis, in order to accelerate the feasibility demonstration. Whether the Defense Department will agree to this remains to be seen.

UNITED NATIONS RUNS AGROUND

On October 27 the *New York Times* reported that a trade school near Beirut run by the United Nations Relief and Works Agency had been used as a training center for nearly 800 PLO guerrillas for over two years. That revelation only served to underscore the rapidly growing disillusionment with the UN that's abroad in the land.

The United Nations' extreme politicization, double standards (condemning South Africa far more than the USSR, for example), and support for both censorship (the New World Information Order) and global collectivism (the New International Economic Order) have been taking their toll. Supplying the media with a steady stream of anti-UN material has been the Washington-based Heritage Foundation, a think-tank with many Reagan administration connections.

October alone saw three major blasts at the international organization. UPI reporter Peter Costa led off a long article on the UN by noting that its two main bodies—the General Assembly and Security Council—"are roundly disrespected and universally ignored." A few days later, columnist William Safire suggested that the United States withdraw and ask the UN to relocate overseas. A week later, columnist Jenkin Lloyd Jones reviewed the UN's record and pronounced the organization a failure. "Some day a new organization may have to be tried, based on responsibility, at least moderate human rights, and a collective determination to make raw aggression profitless," he concluded. "We thought we had it in '45, but we were wrong."

THE DRUGGED-UP COURT SYSTEM

That fine theorist of individual liberty Fats Waller wrote a song some years ago that begins: "If I should take a notion to jump into the ocean/It ain't nobody's business if I do." Devotees of individual freedom have since pointed out that jumping into the ocean may or may not be advisable; but since jumping would not entail Waller coercing or defrauding others, the choice should properly be Waller's, without any interference from the state or anyone else.

The same principle can be applied to other victimless crimes such as drug use. Overwrought defenders of drug-prohibition laws may claim that these laws are all that prevents millions of Americans from becoming heroin addicts and running amok. But ironically, the fact is that not only are these laws ethically questionable, as Wallerites would argue, but they are dangerously counterproductive. It is not exaggerating to say that they are a significant cause of a near-paralysis of the entire criminal justice system in America.

The crisis is real enough. In an op-ed piece in the *New York Times*, attorney Judd Burstein recently noted that 24 percent of the more than 12,000 felony cases pending in New York City have been languishing on the dockets for eight months or even longer, and the city's jails are operating at 110 percent of capacity. With this state of affairs, Burstein wrote, "plea bargaining, rather than the search for truth, is the order of the day. When it comes time to sentence a guilty and perhaps dangerous defendant, the overcrowding in jails has become a deterrent against required incarceration." In view of the fact that a staggering 22 percent of the almost 40,000 people indicted by the government in 1981 were charged with drug violations, Burstein seems entirely justified when he argues, "Society simply can no longer afford this drain on both courts' time and governments' financial resources. Decriminalization of drugs would remove these cases from the system and thereby greatly ease pressures on the courts."

There would be other practical advantages to decriminalization of drugs besides those Burstein cites. The legal prohibition of drugs—like the prohibition of alcohol 60 years ago—hasn't eliminated the market for the drugs; it just makes them more expensive. A new Justice Department-funded study of criminal subcultures by Rand Corporation researchers Jan and Marcia Chaiken found evidence to support the view that as the price of addictive drugs rises, the number of property crimes committed by addicts to finance their drug usage rises accordingly.

The ethical case for doing away with victimless crimes such as drug use has been compelling for a long time. As the Burstein article and Chaiken study illustrate, the practical benefits of such a policy change are becoming more and more attractive.

CHARGING WHAT THE TRAFFIC WILL BEAR

For many years economists have pointed out that if only we could somehow charge prices for road use, we'd alleviate rush-hour jams and match up demand and supply (see "Rush-Hour Remedy," REASON, Jan. 1982). The big hang-up has always been how to do so without creating even more congestion and annoyance (as would be the case if toll booths were added to urban expressways).

Technology has now come to the rescue. A Santa Cruz, California, electronics company, Identronix, Inc., has come up with a custom memory chip that would allow electronic "tolls" to be charged automatically as cars pass a given spot on the road. Those tolls could be quite high at busy times and much lower at nonbusy times. Thus, they would both raise revenue to pay for the road *and* deter excessive rush-hour use.

The Identronix device is a read-only memory chip containing a unique identity code. When interrogated by a radio frequency scanner, the chip "burps" back its identity number, to be picked up by an antenna and fed to a central billing computer. The chip is powered by the incoming radio signal and therefore needs no power supply.

The chips are not yet in use for road-

way pricing. Originally developed to keep track of cattle on the open range (as an alternative to branding), their principal use at present is on the General Motors assembly line. The system has been installed in three new GM assembly plants to uniquely identify each chassis, so that robots will automatically perform the appropriate assembly actions to turn it into the desired Caprice station wagon, for example, rather than an Impala sedan. Identronix is also hoping to sell the railroads on the system for automatic freight-car location.

But the assembly-line use suggests the chips' ultimate utility for highway pricing systems. If every new car were factory-equipped with a read-only chip containing the car's Vehicle Identification Number, then nationwide roadway pricing systems would be a snap. And in such high-volume production (5 to 10 million a year), the chips would cost only $5 each. So the technology for road pricing is here. Now all we need is the political will to put it to use.

WORKING ALIENS' LAWS DON'T WORK

The government's approach to the problem of illegal aliens has been similar to battling mosquitoes with a surface-to-air missile: the noise may be impressive, but the vaunted cure is unrelated to the problem.

The Reagan administration has already come up with such wonderful concoctions as "Operation Jobs," a dramatically ineffective series of raids on factories and other workplaces across the country, and the Omnibus Immigration Control Act, which would permit the president to declare an "immigration emergency," close any harbor or airport in the country, and exclude entry of any alien (presumably including French tourists who wanted to see the Statue of Liberty that their ingenuous ancestors gave us).

Currently in fashion is the Simpson-Mazzoli immigration bill. This legislation, which has already passed the Senate, would clamp down on illegal immigrants by penalizing businesses that hire them. It has won the opposition of groups ranging from the Chamber of Commerce to the American Civil Liberties Union. And a recent General Accounting Office report requested by the bill's cosponsor, Sen. Alan Simpson (R-Wyo.), indicates that this opposition is richly deserved—something of an embarrassment for its requester.

According to the report, laws establishing penalties for employers of illegal aliens have generally been a flop in other countries where the idea has been tried. Questionnaires sent to officials of 20 nations, as well as follow-up visits to Canada, France, Switzerland, and West Germany, show a consistent pattern.

Canadian employers are subject to fines of $4,000 plus two years' imprisonment for "knowingly" employing illegal aliens—yet the Royal Canadian Mounted Police estimates that between 500,000 and 1 million illegal aliens are in Canada, most of them gainfully employed. Even officials in Switzerland, which boasts some of Europe's toughest immigration laws, concede that "tens of thousands" of aliens are alive and well in their nation. To add insult to injury, Japan—which has no employer sanctions whatever—has very little illegal immigration, only about 50,000 to 60,000 people, and a large number of those are said to be bar hostesses and nightclub dancers.

A *Wall Stret Journal* editorial attacking the Simpson-Mazzoli bill points out that the results of employer sanctions in the United States would probably be even more dismal than in Europe. "Attitudes toward illegal aliens are especially ambivalent [here]," it observes. "There is

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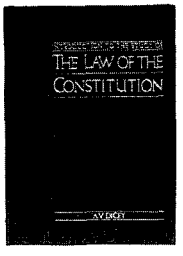

Introduction to the Study of The Law of the Constitution

By A. V. Dicey

Forward by Roger E. Michener

Dicey's classic study of the British Constitution and the rule of law was first published in 1885. In subsequent editions he tried to take account of intervening constitutional developments. The last edition Dicey himself prepared was the eighth, which appeared in 1915. This Liberty*Classics* volume presents that edition rather than later posthumous editions in which Dicey's own work was further updated by an editor. While Dicey's discussion of British law is of interest in its own right, his discussion of the concept of the rule of law will be of at least equal interest to contemporary readers. Hardcover $15.00, Softcover $7.00.

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widespread sympathy for individual illegals, and . . . our law enforcement agencies have much more serious problems to worry about than employers whose only crime is to hire someone who wants to work."

As the *Journal* says, in the wake of the GAO report, "the fundamental premise of the Simpson-Mazzoli immigration bill has been shattered." Good riddance.

CORRECTIONS UNDER CONTRACT

About 18 months ago Rand Corporation researcher Peter Greenwood excoriated government-run prisons as failures. "There is absolutely no reason," he concluded in a *Los Angeles Times* op-ed piece, "why the operation of our prisons could not be contracted out, and there are plenty of reasons to believe the job would be done better, at less cost."

That prediction is being put to the test, in a modest way, in Florida. On September 1, operation of the Florida School for Boys at Okeechobee was turned over to the Jack and Ruth Eckerd Foundation. The 10-month, $4.2 million contract promises cost savings of 10 percent for the 400-500-bed juvenile detention facility.

Perhaps more important is what the West Palm Beach *Post* calls "the approach and attitudes" of the Foundation. Freed of red tape and bureaucracy, it is introducing new trade and vocational programs, restoring a 24-hour counseling and supervision program of "cottage parents," and bringing in experienced counselors from the Foundation's (private) wilderness camps for delinquents.

The Eckerd contract is just the latest development in the little-noticed trend toward contracting out the operation of correctional facilities. According to Ted Nissen of Span, Inc.—which operates work furlough centers under contract to the California Department of Corrections—about 200 minimum-security halfway houses around the country are being operated under contract by nonprofit and for-profit firms. The advantages of such contracts are both cost savings and the freedom to innovate.

As correctional programs come under increasing scrutiny for being costly and ineffective, the trend toward contracting should accelerate. Notes Greenwood: "If private agencies can run government-funded hospitals, drug- and alcohol-treatment programs, and job-training programs, they can run prisons, too."

GREAT BRITAIN BUMPS INTO GREAT SPENDING

The British government's in-house think tank has seen the future—and doesn't like it one bit. Despite the fact that the Thatcher government was elected on a platform of shrinking the size of the state, if present spending plans continue, government spending will consume 47 percent of the nation's gross domestic product by 1990, six percent above the share when Thatcher took office in 1979. Moreover, under the worst-case economic assumptions, the spending increase would be even worse—to as much as 60 percent of GDP by 1990, according to Sir Geoffrey Howe, chancellor of the exchequer.

Clearly, concluded the Central Policy Review Staff, something has to give. Since four areas account for the lion's share of government spending, the government can no longer afford to put off making such hard decisions as:

- *Education:* End state funding for colleges and universities, providing only a limited amount of scholarships and loans. Even primary and secondary schools could be privatized, with government providing education vouchers to parents.
- *Social Security:* Stop indexing benefit payments to keep pace with inflation.
- *Health:* Replace national health insurance with private insurance.
- *Defense:* Beyond the mid-1980s, freeze defense's share of GDP.

Reaction to the think tank paper was explosive, with centrist cabinet members ("wets") vehemently opposed. REASON's British correspondent Eben Wilson reports that the wets were so furious over the recommendations that they succeeded in having any mention of them stricken from the record of the September 9 cabinet meeting at which the paper was discussed. It was, nevertheless, promptly leaked to the *Economist*, which published a one-page summary.

Concluded Wilson: "The think-tank paper shows one major significant fact, and that is that the intellectual argument has been won within the Treasury and indeed within a faction of the cabinet,

reason wears well

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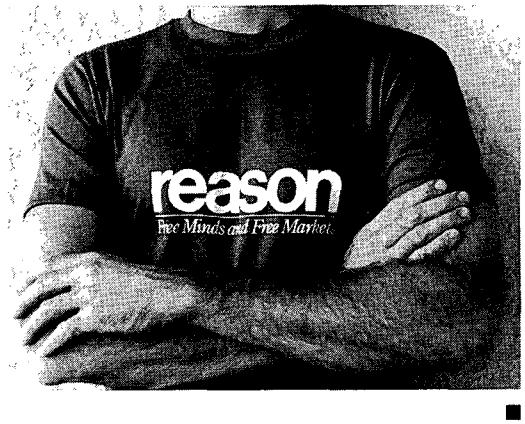

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although not enough to blow the Tory party into true free-market policies. But it is encouraging; the arguments at last seem to have arrived at the right place—that is, can we afford the welfare state, and is it philosophically a good idea? That seems to me to be the trend change that we have not seen before."

CASHING IN ON DEREGULATION

In October, Congress passed and the president signed a bill called the Garn-St. Germain Depository Institutions Act that may substantially change the American financial industry—somewhat for the worse, but mainly for the better.

For consumers, perhaps the most important reform in Garn-St. Germain is that banks and S&Ls will now be able to be more competitive with money market funds. As soon as a few administrative details are worked out, these institutions will be able to offer deposit accounts that pay market interest rates (the interest rates won't be regulated by the government, as is already the case with money funds) and offer limited checking account features, as well. Customers will be able to write up to three checks against the account each month and can authorize three automatic transfers. There may be a minimum balance requirement of up to $5,000, but at this writing even that is up in the air.

Another reform contained in Garn-St. Germain, expected eventually to be a big plus for small business, is that thrift institutions will now be able to make commercial loans totaling up to 10 percent of their assets. Small businesses stand to benefit from this because they will no longer be totally dependent on their local banks for credit. With thrift institutions in the market, the options for small business could increase and the price of credit could very well decline. Allan G. Bortel of Shearson/American Express told the *New York Times*: "There is a lot of room to compete. If small banks are charging their business borrowers one or two percentage points above the prime, the thrifts could charge less and still make money."

Treasury Secretary Donald Regan, a supporter of the Garn-St. Germain bill, told the Dealer Bank Association in a speech soon after it was signed: "You're in the competition. This is what you wanted." But if the truth be told, the competition is less than pure. According to the *Wall Street Journal*, the legislation provides lavish subsidies for about 1,000 of the nation's 3,500 federally insured S&Ls in the form of promissory notes from the Federal Savings and Loan Insurance Corporation, which insures deposits up to $100,000. Those thrift institutions that are on the rocks will be able to use this scheme to stave off insolvency at government expense.

On balance, however, the Garn-St. Germain package deregulates more than it regulates and is overall a reduction in government intrusion in the financial industry. In the short term, analysts are predicting a disruptive effect for institutions accustomed to the old set of rules; but in the long term, the financial industry—and, in turn, the economy—should be strengthened.

OF MARX AND MEN

Being a communist dictator in Eastern Europe has never been all fun and games. If you've spent much of your professional life reading Marx and you have just the right ideas for transforming your nation into a socialist utopia, you're hardly going to have a nice day—or a nice decade, for that matter—when your carefully conceived plans go awry.

Unfortunately for the people who live there, state economic planning has in fact gone awry more often than not in Eastern Europe. Fortunately, however, the last few years have seen a remarkable change in the economic climate: in every nation except Albania, a degree of economic freedom is now being permitted that would have been inconceivable in the days of Stalin.

The country that has made the boldest reforms has been Hungary. Since 1968, the Janos Kadar regime has implemented some decidedly non-Marxist policies. It has, for example, stressed the setting of prices that reflect supply and demand; permitted incentives for local decisionmaking, even to the extent of allowing firms to go bankrupt; increased wage differentials based on productivity; broken up large state monopolies and set up smaller public and private firms in their place; and reduced export subsidies and tariffs.

Probably the most striking reforms, though, have been in agriculture. The *New York Times* reports that more than 70 percent of Hungarian farmland is tilled by 1,360 cooperatives whose members own a share of the common land and enjoy the right to private plots of a little more than an acre. It is these private plots that have been spectacularly productive, accounting for 40 percent of national poultry output and 65 percent of national pork production.

Even the state farms dabble in free marketeering from time to time. Typically, when a blackberry crop at one state farm was threatened because harvesting does not lend itself to mechanization, some employees leased the right to pick berries and sell the fruit back to the state at a prearranged price. After the cost of the lease and a fee for the use of state equipment were deducted, the 125 workers made a profit

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As an agricultural economist near Budapest told the *Times*, "Everyone, including Kadar, keeps his nose out of agriculture." It's really no accident, then, that while the more orthodox Soviet Union is coping with still another poor grain harvest, the Hungarian wheat yield will approach its 1980 record of 14 million tons and its vineyards will make possible one of the highest levels of wine production in recent years. Nor is it an accident that within 10 years, Hungary went from being a grain importer to a grain exporter.

Even Leonid Brezhnev, not ordinarily considered a wild-eyed capitalist radical, has taken note. The *Economist* reports that he singled out Hungarian policy for praise at the Soviet party congress last year, and official Soviet agriculture policy is now to encourage private farm plots, despite a powerful lobby in the Kremlin for more giant state-run agricultural-industrial complexes.

"What does it all amount to?" the *Economist* asks. "A light breeze that may blow away a few cobwebs while leaving the heavy furniture of the 'command economy' intact? Or is there a genuine wind of change blowing through eastern Europe, pushing it towards a mixed economy and thus perhaps eventually towards a measure of political pluralism?" The *Economist* concludes it's still too early to tell.

ENFORCING SPEED LIMITS ENDANGERS LIVES

Would you believe that heavy enforcement of the federally imposed 55-mph speed limit has increased the number of auto-accident deaths? That startling conclusion seems to emerge from the data. Furthermore, there's actually a sound causal connection.

As Roger Johnson noted recently in the *Washington Times* (Sept. 28), highway death rates increased steadily during the tenure of 55-mph-limit enthusiast Joan Claybrook at the National Highway Traffic Safety Administration. The year before Claybrook took over, 45,500 people died; in her last year, 51,100 were wiped out in auto accidents. Yet last year, with Raymond Peck at NHTSA, deaths dropped by 1,500 and appear to be declining further this year. It's *not* the fault of the recession either, since highway travel has increased.

What's happened is a shift in emphasis and funding. While Claybrook's NHTSA poured money into radar units for speed-limit enforcement, Peck's NHTSA has focused on helping states go after drunk drivers. Since most speed-limit violations occur on the heavily used—but much safer—interstate highways, that's where the earlier speed-limit efforts focused. Maryland, for example, received extra federal funds for a speeding crackdown in 1980. Yet traffic deaths that year increased by 10 percent. By contrast, with this year's shift toward drunk-driving enforcement, Maryland traffic deaths are down by 30 percent.

The bottom line is that police resources are limited. Concentrating troopers on the interstates will lead to a lot of speeding tickets (and revenues!)—but will divert manpower from local roads where drunks pose a frequent menace. Transportation expert Martin Wohl of Carnegie-Mellon warned about overzealous speed-limit enforcement in 1977—but nobody at NHTSA listened. Although NHTSA is doing somewhat better today, the Republicans seem to have forgotten their 1980 platform pledge to abolish the 55-mph limit. Perhaps now that the safety argument has been debunked and energy prices have stabilized, the issue can once again be raised.

MILESTONES

• *Rocky Mountain fight.* In October, the Mountain States Legal Foundation filed suit in federal district court challenging the constitutionality of the City of Denver's award to Mile Hi Cablevision of a de facto exclusive permit to provide cable TV services in Denver. "Government control over cable has far-reaching, potentially Orwellian, implications," said William H. Mellor III, who heads the conservative public-interest law firm. Mountain States is challenging the city-awarded monopoly on First Amendment grounds for stifling the free flow of information.

• *Dutch drug store.* The Netherlands has approved the sale of government-tested marijuana and hashish at a youth center in the town of Enschede. Authorized dealers can sell small quantities of hashish products inside the center. But the dealers are forbidden to advertise, and the drugs must be tested by the government for quality and purity.

• *Nude ban stripped.* The California Supreme Court has declared that a Santa Clara County ordinance prohibiting nude dancing in public places except for "theatrical performances" is unconstitutional. The Santa Clara County puritans apparently "went too far in permitting the exclusion of all nude entertainment, some of which enjoys First Amendment protection," the court said.

• *Street smarts.* Some 21 residents of Courtland Place, a two-block area in Houston, have bought their street from the city government for $103,115. The residents are responsible for the street's maintenance, and although the city still has the right to enter the street for routine maintenance of other facilities, the street now belongs to the people who live on it.

• *Daft draft.* The Reagan administration's Military Manpower Task Force has concluded, after 14 months of study, that the all-volunteer armed force is so successful that it is unnecessary to return to a peacetime draft so long as the volunteer military maintains "reasonably comparable pay" with the civilian sector and offers a host of bonuses and special incentives.

• *Free market upheld.* In a six-way race for the presidency of their country, the voters of Sri Lanka have returned to office the incumbent, Junius R. Jayewardene, who has moved the island nation much closer to a free-market economy. His main opponent was former agriculture minister Hector Kobbekaduwa, who was advocating socialist policies akin to those of the Indira Gandhi government to the north.

• *Super filing cabinet.* In the wake of a REASON article on New York City subways ("Selling the Subways," May), the Metropolitan Transportation Authority called for proposals on how the moldering and unused tunnels of the uncompleted Second Avenue subways might be put to good use after a decade. Vital Records, Inc., of Raritan, N.J., is now considering renting the tunnels and converting them into "the world's largest filing cabinet" (they would use conveyor belts to distribute documents). This would eventually be far cheaper than housing documents in expensive Manhattan office space.

• *California GOP gets with it.* The Republican Party of California passed a resolution in September calling for "disposition into private ownership of those government lands for which there is no justifiable public purpose"—except for parks and wilderness areas.

—ROBERT POOLE, JR., AND PAUL GORDON

SUBVERTING THE FIRST AMENDMENT

You thought the press was controlled only in banana republics? Guess again. Mr. Jefferson, meet the SEC.

BY MICHAEL MC MENAMIN AND WILLIAM GORENC, JR.

Since the 1960s an agency of the federal government has been engaged in flagrant suppression of the First Amendment rights of a small group of publishers. In direct contravention not only of the First Amendment but of explicit instructions from Congress, this agency has imposed a requirement that these publishers secure a printing license—something that English-speaking democracies have not seen since the 17th century, when England's licensing laws for publishers were abolished. When, to avoid the risk of a felony conviction, publishers comply and obtain a license, they become subject to regulatory demands showing blatant disregard for freedom of the press—for example, censorship of the publications' content, forced disclosure of subscribers' names, and restrictions on the sale of the publishers' assets.

That federal agency is the Securities and Exchange Commission. The publishers it is aggressively drawing into its regulatory net, in spite of several adverse court decisions, are the publishers of financial newsletters offering investment information to the public. And what is the agency's rationale for actions that subvert the First Amendment? Pro-

tection of the investing public.

Ordinarily, one would not expect that people were in any particular need of "protection" from those who want to offer for sale their opinions on the merits of various investments. As consumers of such information, investors can quickly determine for themselves what the advice is worth. And so, for the same SEC that has, without blinking an eye, registered astrologers as investment advisors, cases such as that of Christopher Lowe must seem particularly important.

Papers filed by the SEC in June 1982 in US District Court in New York indicate that Lowe (or corporations with which he is associated) currently publishes such newsletters as the *Lowe Investment & Financial Letter*, the *Lowe Stock Advisory*, and the *Lowe Stock Chart Service*, for which he has, altogether, 4,000-5,000 subscribers. But, notes the SEC, Lowe pled guilty in 1977 to appropriating $2,200 of an advisory client's funds, pled guilty in 1978 to stealing $764 from a bank, and pled guilty in 1978 to writing bad checks on various accounts in an amount in excess of $27,000. And so, says the SEC, Lowe should be muzzled—barred for the rest of his life from putting out newsletters offering his opinions about investments.

But should possession of a criminal record disqualify one from publishing investment information and opinion—any more than from publishing a newspaper or a book? And, more generally, should publishing investment commentary require a printing license (the SEC prefers to call it a "registration requirement") from the government?

The SEC claims its power to license financial newsletters from the Investment Advisers Act of 1940, which requires a money manager, investment counselor, pension fund advisor, or anyone else who gives investment advice "either directly or through publications or writings" to register with the SEC as an investment advisor. In passing this legislation, Congress was mindful of the First Amendment's provision that it "shall make no law...abridging the freedom of speech, or of the press." Congress specifically exempted from the coverage of the act "the publisher of any bona fide newspaper, news magazine or business or financial publication of general and regular circulation." Yet the SEC has adamantly refused to recognize the applicability of the publishers' exemption to financial newsletters.

True, these newsletters are fairly small-time operations. But the Supreme Court has long held that the protection against government restrictions on freedom of the press afforded by the First Amendment "is the right of the lonely pamphleteer who uses carbon paper or a mimeograph just as much as the largest metropolitan publisher who utilizes the latest photocomposition methods." Nor is there anything in the legislative history of the Investment Advisers Act to suggest that Congress intended to protect only the "largest metropolitan publishers" rather than "the lonely pamphleteer."

The key phrases in this exemption are *bona fide* and *regular and general circulation*—phrases that appear designed to keep a genuine investment advisor with individual customers or with responsibility for other people's funds from using the publishers' exemption to avoid registration. There are no similar phrases in the exemption, however, to warrant the SEC's conclusion that it does not apply to persons who are solely engaged in regularly publishing investment advice and commentary in a pamphlet or newsletter format available to the general public by subscription.

There are no indications that anyone at the SEC has carefully thought through the First Amendment implications either of its efforts to shut down Chris Lowe's printing press or of its efforts to license and regulate publishers of financial newsletters generally. Why this is so has a lot to do with the nature of the SEC, an independent regulatory agency, and the way it has exercised its statutory authority. Roberta Karmel, a former SEC staff attorney and an SEC commissioner during the Carter administration, recently wrote an insightful, albeit sympathetic, critique of the agency, *Regulation by Prosecution*. The SEC, she says, "became so enamored with law enforcement as an adversary sport that it lost sight of the need to justify its programs politically at the same time as it overstepped the boundaries of its statutory authority."

Long before there was an SEC or an Investment Advisers Act, there were financial newsletters. *Babson's Reports*, generally recognized as the first newsletter, was founded in 1904 by Roger W. Babson, "the father of the newsletter industry." During World War I, the federal government was also involved in the newsletter business, publishing financial information in the *United States Bulletin* right alongside casualty reports. Babson worked for the *Bulletin* during the war and in 1919 assumed private control of its publication, which soon became the *United Business Service* and began weekly distribution on a subscription basis. Babson continued to publish *Babson's Reports*, and in 1924 his cousin, Paul T. Babson, purchased the *United Business Service*. The Babson family is still prominent in both enterprises, which are among today's larger newsletter operations.

Many others, including Standard & Poor's, began publishing newsletters during the bull markets of the 1920s. Many newsletter publishers went out of business in the years following the crash of 1929, most suffering from a terminal case of lost credibility. *Babson's, United, Standard & Poor's,* plus a handful of others, however, survived both the crash of '29 and the Great Depression.

During the depression in the 1930s, Congress passed extensive reform legislation designed to eliminate certain practices in the securities industry that were thought to have contributed to the stock market crash. The Securities Act of 1933 required (with a few exceptions) filing with the SEC a registration statement for initial investment offerings. The Securities and Exchange Act of 1934 governed secondary distributions of securities, including regulation of proxies and "insider trading." The Investment Advisers Act of 1940 required registration of all broadly defined "investment advisors." In commenting on these laws, the Supreme Court has held that their fundamental purpose was to substitute the rule of full disclosure for the existing one of *caveat emptor*.

Following passage of the Investment Advisers Act, the SEC made little effort to compel newsletter publishers to register as advisors. While some did, many did not and were likely unaware that the SEC even maintained a registration requirement. Starting in the early 1960s, however, the SEC began to zero in on financial newsletter publishers. It promulgated regulations under the 1940 act prohibiting advertisements by investment advisors containing "testimonials" or reference to former recommendations that would have been profitable to the potential investor-subscriber.

At the same time as it was issuing these regulations on "testimonials"— which when applied to newsletter publishers are a form of prior restraint—the SEC was in the process of litigating *SEC* v. *Capital Gains Research Bureau*. This is the only case under the Investment Advisers Act involving newsletters ever decided by the Supreme Court.

Capital Gains Research Bureau was the publisher of a newsletter with a circulation of 5,000 subscribers at an annual fee of $18.00. Capital Gains was accused of "scalping" by the SEC

when, on six occasions over an eight-month period in 1960, it recommended a particular security in its newsletter as an excellent long-term investment, purchased it for its own account, and then within 5-10 days after publication sold the security at a higher price (allegedly caused, in part, by the Capital Gains recommendation). The total income from these transactions was approximately $20,000, or about 3 percent of the company's annual gross income of $570,000.

Although the SEC offered no evidence that the securities were not worth their appreciated value, it claimed that Capital Gains was involved in a conflict of interest. The Supreme Court upheld the SEC, and Capital Gains was subsequently ordered to disclose the "scalping" technique to its subscribers.

The First Amendment implications of licensing and regulating financial newsletters were not considered or ruled upon by the Supreme Court in the *Capital Gains* decision. Nevertheless, the SEC thereafter commenced a campaign focused not on the supposed evil of scalping but on unregistered financial newsletters generally. During the '60s and '70s and continuing into the '80s, it has engaged in an open and frequently arrogant suppression of First Amendment rights of financial newsletter publishers under the guise of its otherwise unsupported interpretation of the Investment Advisers Act.

The SEC's mistreatment of these publishers and their First Amendment rights is largely a sideshow, ancillary to its primary role of overseeing the nation's securities markets. For example, when we queried the SEC, we were told that only $58,000 of its annual $7.8 million budget is spent on registration and compliance for "investment advisors" who only publish newsletters. This is an unrealistically low figure. It does not include the hidden costs of litigation and compliance investigation in the field. Nevertheless, it is still a sideshow, and the victims are for the most part small operations. As a

The one time the SEC actually received a court ruling on whether a financial publication must register as an investment advisor, it lost.

consequence, the SEC's suppression of their rights has been conducted outside the glare of publicity.

Why does the SEC show such insensitivity to one of our most important freedoms? As Roberta Karmel observes, regarding the agency's performance generally, "Staff members sometimes forgot that they were public servants and lapsed into an arrogance . . . intolerable in a democratic government."

The SEC gets away with its edict requiring the licensing of financial newsletters by intimidation. Failure of an investment advisor to register as such with the SEC is a felony punishable by up to five years in prison and a $10,000 fine. The SEC made it well known in the 1960s and thereafter that it considers publishers of financial newsletters to be investment advisors. The commission knows that many financial newsletters have material resources more akin to the lonely pamphleteer than to the large metropolitan publisher. It is not surprising that most newsletter publishers capitulate and register. The course of resistance and litigation to assert basic freedoms granted by the Constitution is not a popular one when your lawyers charge you by the hour and you started a newsletter with the purpose of making a profit.

When it comes to actual litigation regarding its interpretation of the Investment Advisers Act vis-à-vis financial newsletters, the SEC is a paper tiger that has been living off its reputation for years. The one time the SEC actually received a court ruling on the issue of whether a financial publication must register as an investment advisor, it lost.

The SEC's defeat, in a suit that it pursued for over 10 years, involved Richard A. Holman and the *Wall Street Transcript*. The *Transcript* was a weekly tabloid newspaper mailed to its 8,000 subscribers and sold on a few newsstands. It consisted of verbatim reports of various brokerage houses previously circulated and relating to particular securities, news on offerings of stocks and bonds, speeches by corporate managerial personnel, notices of executive promotions and transfers, and occasionally an editorial. By far, most of the *Transcript* was written by people it did not employ. Holman was its principal operating officer.

In 1965, in matters unrelated to his publication of the *Transcript*, the SEC revoked Holman's broker-dealer registration, ordered his expulsion from the National Association of Securities Dealers, and enjoined him from further securities law violations. Two years later, without possessing any evidence or having received any complaints of wrongdoing, the SEC suddenly launched an investigation of the *Transcript* and subpoenaed virtually every piece of paper maintained in its publishing operation. The ostensible purpose of the subpoena was to secure evidence to help the SEC determine whether the *Transcript* was an investment advisor.

Holman and the *Transcript* claimed the subpoena was harassment and a sham, refused to comply, and attacked it in federal court on First Amendment grounds. In 1968, the district court judge summarily threw the SEC out of court and held the *Transcript* to be a "bona fide newspaper" and thus exempt from the Investment Advisers Act. But the SEC pursued its case in the court of appeals, which ruled that the SEC should be allowed to gather evidence and make an initial determination on investment advisor status before the courts reviewed the validity or constitutionality of that decision. Dismissing fears expressed by the district court, the court of appeals asserted (too optimistically, as we shall see) that the SEC was "fully aware of the importance of First Amendment considerations."

The case was remanded to the district court, where in 1978 the *Transcript* was found to be "clearly involved in the business of publishing investment advice (in return for) subscription fees." But, just as happened 10 years earlier, the *Transcript* was also clearly found to be a bona fide newspaper and financial publication and hence exempt from registration. The SEC did not appeal.

Despite its loss to the *Transcript*, the SEC has not changed its policy of licensing and regulating financial newsletters. The SEC continues to maintain that the publishers must register as investment advisors. And if they do register, the SEC moves in with regulations and demands from which other publishers are immune under the First Amendment.

Examinations. The SEC regularly conducts unannounced examinations of registered brokers and investment advisors—including financial newsletters—both on-site and by phone, to determine their financial status. The examiners are typically unfamiliar with the publishing business. Consistent with the SEC's fiction that newsletters are investment advisors, they apply to the newsletters (many of which are small operations run out of the publishers' homes) the same standards that the SEC has established to ensure the solvency of investment advisors and brokers who actually have custody of clients' funds.

More chilling for freedom of the press is the door opened to harassment. The SEC admitted in congressional testimony in March 1980 that it only examines investment advisors of all types on an average cycle of once every 12 years. Yet some members of the Newsletter Association of America (NAA) who are registered with the SEC report that they are examined every two to three years. Glenn Parker, chairman of the NAA's Freedom of the Press Committee, has been examined three times in the past six years, most recently after being identified as a potential expert witness for the defense for Christopher Lowe, whom the SEC wants to put out of business because of a criminal record.

Restrictions on Financing and Sale. According to the SEC, a subscription to a financial newsletter is an "investment advisory contract" and cannot be "assigned" without the subscriber's consent. Since the SEC views the sale of a newsletter publishing company as an "assignment" of the firm's subscriptions, the company cannot be sold without the consent of each individual subscriber. A newsletter publisher is even forbidden to pledge the stock of his company for a bank loan without the consent of his subscribers, on the rather specious grounds that such a pledge represents a potential assignment.

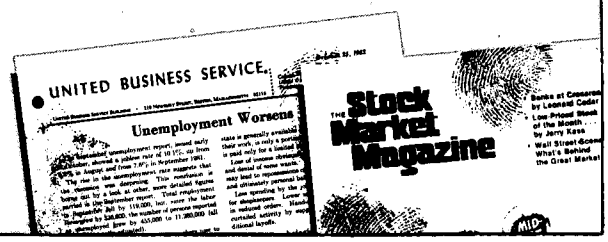
This policy, which restricts the freedom of a newsletter publisher to sell his business, is supposedly intended to protect readers against unannounced changes in editorial staff or policies. This constitutes control of a publisher that is patently inconsistent with the First Amendment.

But then, the SEC contends that financial newsletter publishers who register with it—to avoid the expense of litigation and the risk of a felony conviction—thereby forfeit their First Amendment rights. As the SEC argued before the court, in response to First Amendment objections to one of its demands of the publishers of *Smart Money*, "[Publisher] *has no constitutional privilege* to relinquish with respect to records that it is required to keep in the course of its business *as a registered entity*" (emphasis added).

Smart Money is a monthly eight-page newsletter published by the Hirsch Organization. It has a circulation of approximately 9,000 and is directed to "potential investors and readers who are interested in small, emerging growth companies, many of which have been overlooked by other publications." In April 1981 the SEC commenced an investigation of possible securities violations in connection with a public offering of shares of Entertainment Systems, Inc., a previously private company. *Smart Money* had published two articles about Entertainment Systems prior to the effective date of the public offering. Stating that its interest was "piqued," the SEC promptly subpoenaed both Yale Hirsch, the president of *Smart Money*'s publishing company, and George Brooks, the *Smart Money* staff writer who wrote the two articles.

Hirsch and Brooks testified, produced many documents, and

The SEC contends that publishers who register with it — to avoid a felony conviction — thereby forfeit their First Amendment rights.



generally answered all relevant questions. Hirsch refused, however, to respond to a portion of the subpoena requesting the names and addresses of all of *Smart Money*'s subscribers. In an action in federal court to enforce the subpoena, the SEC claimed it needed the subscription list so it could ascertain whether the Hirsch Organization "solicited" investors to purchase the Entertainment stock and whether the *Smart Money* articles played any role in the decision of those investors who did purchase the stock.

Yet the SEC knew, based on evidence submitted to it by Entertainment's underwriter, that no one connected with *Smart Money* either asked for or received anything in return for publishing the articles. Moreover, Hirsch's attorneys proposed a compromise whereby the list of *Smart Money* subscribers would be made available to SEC staff for the limited purpose of determining who among them had purchased Entertainment stock (the SEC already had the purchasers' names and addresses). And although arrangements like this to protect confidential business documents are quite common in federal litigation, the SEC rejected the compromise offer out of hand.

Did the SEC have ulterior motives, then, in seeking to compel the production of all the names and addresses of *Smart Money*'s subscribers—motives not revealed to the court? Intimidation of financial newsletters generally could have been one of them. Another likely motive was to establish a new legal precedent to overcome a comment in the *Wall Street Transcript* decision by the appellate court which suggested that the SEC does not have authority to cast a "dragnet...for lists of all subscribers," which would necessarily "go to the jugular of...a publishing firm."

Evidence of ulterior motives came in the fall of 1982. The SEC entered into a consent decree settling the underlying suit against the underwriters of the Entertainment System stock offering. Yet it continued its attempt to enforce the subpoena against *Smart Money*. Why? The SEC is not talking. Neither Michael Berenson, chief of the SEC's Investment Advisers Study Group, nor the SEC trial attorneys would comment on the matter. Late in October 1982, US District Court Judge David Edelstein issued a decision refusing to enforce the subpoena. The SEC, he noted, had failed to "demonstrate that the need for the information outweighs the First Amendment protection accorded it." But the SEC could come back to the court to attempt a demonstration, added the judge.

The SEC staff is neither naive nor innocent. They know that subscription lists *are* the jugular of a publishing firm. They know that if they can persuade a court to ratify their self-proclaimed right to possession of the names and addresses of all newsletter subscribers, their power over newsletters will be

well-nigh absolute. They know, as Justice Douglas wrote in his 1953 concurring opinion in *US* v. *Rumely*, that:

A requirement that a publisher disclose the identity of those who buy books, pamphlets, or papers is indeed the beginning of surveillance of the press. . . . The finger of government leveled against the press is ominous. Once the government can demand of a publisher the names of the purchasers of his publications, the free press as we know it disappears. Then the spectre of a government agent will look over the shoulder of everyone who reads. The purchase of a book or pamphlet today may result in a subpoena tomorrow. . . . If the lady from Toledo can be required to disclose what she read yesterday and what she will read tomorrow, fear will take the place of freedom in the libraries, book stores, and homes of the land. Through the harassment of hearings, investigations, reports, and subpoenas, government will hold a club over speech and over the press.

Even without the right to cast a dragnet for subscribers' names, the clubs the SEC holds over newsletters are still quite heavy. One of them is the ever-present threat of baseless litigation designed to force a publisher out of business.

One victim of this particular tactic was Phillips Publishing Company. In 1974, Phillips published three newsletters, including the *Retirement Letter*, which offers investment advice to retired persons and had registered with the SEC as an investment advisor. In 1975 the SEC filed an action against Phillips seeking to permanently bar the firm from publishing the *Retirement Letter* unless it agreed to convey to the some 15,000 subscribers false information about the financial condition of the company. Specifically, the SEC wanted Phillips to tell its subscribers that it was "insolvent." Since this was not true and would have amounted to signing its death warrant as a publisher, Phillips refused.

When the case came to trial, the judge laughed the SEC out of court. It turned out that all the SEC was complaining about was that Phillips was using income from new subscriptions to fund its current operations and that it was not treating the full cost of unfilled subscriptions as a current liability. As anyone in the publishing industry can attest, almost all periodicals follow these accepted accounting principles in publishing, and the judge so held, finding "credible and persuasive evidence of. . . solvency—illustrating rather than an insolvent company, a young expanding company merely following the widely-adopted financing practices employed in the contemporary publishing industry." .

As with its loss to *The Wall Street Transcript*, the SEC never appealed this defeat. For Phillips Publishing, the price of liberty was $25,000 in attorneys' fees (Phillips' gross income for the previous year being only $135,000).

The SEC is determined that the price of First Amendment freedoms for financial newsletters will continue to be high. Censorship is part of that price. Although the SEC has denied to both Congress and the White House that it engages in censorship of the contents of financial newsletters, the facts do not support its denial. Censorship by the government is nothing more than the power to direct and control the content of a publication.

Case: The *Bowser Report*, a financial newsletter published by R. Max Bowser, was examined by the SEC in April 1982. In May, the SEC sent a letter directing Bowser to make "revisions of certain practices. . . to comply with the Act and its rules and regulations"—or lose his printing license. Two of these "practices" involved the *content* of publications by Bowser. One of the offenses was a piece that he sent to all new subscribers. Entitled "Brokers Familiar with the Bowser Plan," it listed brokers throughout the country who get the *Bowser Report* each month "and are aware of the stocks we recommend and our philosophy." Bowser's other offense was to print unsolicited letters from satisfied subscribers that, noted the SEC, "praise your publication, your rating system or your investing philosophy."

Case: In its newsletter, *Money Fund Safety Ratings*, the Institute for Econometric Research evaluates money market mutual funds on a scale ranging from a high of AAA to a low of D. The institute requests, from time to time, current portfolios of the many funds it rates, most of which readily respond. Not all do so, however, and for those funds, the institute suggests in its newsletter that "as a matter of public policy, money funds should publicize their portfolios at all times, and that funds which fail to do so should be avoided by cautious investors."

In the October 1981 issue of *Money Fund Safety Ratings*, the John Hancock Cash Management Trust, managed by John Hancock Mutual Life Insurance Co., received an "avoid" recommendation based, in part, on its secretive portfolio policies. The fund was also given a BBB safety rating by the newsletter based on the institute's evaluation of what the fund chose to release regarding its portfolio, that is, "the minimum diversification restrictions set forth in the fund's own SEC filings and prospectus." The fund was not happy with its BBB rating and on November 4, 1981, through its attorneys, demanded that the institute retract the rating. Its attorneys claimed that the institute had committed criminal violations of the Investment Advisers Act by its BBB rating of the fund and threatened to file a complaint with the SEC unless the retraction was promptly forthcoming.

The threat was not an idle one. The institute knew that a former law partner of the fund's attorneys was, at the time, an SEC commissioner. But it ignored the fund's heavy-handed attempt at intimidation and did not publish a retraction. In December 1981 the institute received a threatening letter from an SEC staff attorney advising that a complaint had been filed with the SEC about BBB ratings and "avoid" advice given with respect to certain unidentified funds. The SEC attorney echoed the claims made by the fund and concluded that it was "improper" for a financial publication "to provide a low rating rather than to state that it has insufficient information available upon which to base a rating."

The institute's attorneys promptly responded that the "avoid" recommendation was based only in part on the secretive nature of the fund's portfolio, that the BBB rating derived from the institute's evaluation of what information was publicly available regarding the portfolio, that there was no evidence to support the tortured inference of the fund's attorneys (unquestioningly adopted by SEC staff) that either the recommendation or the rating was designed "to force funds into providing. . . (more) information," or that any of this constituted a "conflict of interest." The SEC has not responded.

The SEC has never produced any verifiable evidence to prove that there are abuses inherent or peculiar to the newsletter industry that SEC licensing requirements and regulations are specifically designed to prevent or discourage. Nor has it produced evidence to demonstrate why antifraud provisions under SEC Rule 10(b)(5) are

somehow inadequate to police newsletter publishers.

Recently, the SEC suggested in a letter to a US senator that Rule 10(b)(5) does not apply to newsletter publishers. But the court cases it cited did not limit the SEC's authority to bring an action for violation of the rule. Of course, senators do not usually have federal case reports sitting in their offices. Federal judges, however, are known to keep them around, and hence the SEC regularly claims in its lawsuits that Rule 10(b)(5) *does* apply to newsletter publishers.

When we interviewed Michael Berenson, chief of the SEC's Investment Advisers Study Group, he confirmed that the SEC does believe that the rule applies to newsletter publishers. So we asked him why anything more than this rule is needed to police any fraudulent securities conduct by newsletter publishers. Mr. Berenson declined comment.

Inconsistency is not infrequent in the SEC's responses to criticism of its long-standing disregard for the First Amendment rights of newsletter publishers. In its brief in the *Hirsch* case involving a subpoena for subscribers' names, the SEC's response to the First Amendment issues raised by Hirsch was, in effect: "First Amendment? Trust us. We're the SEC." As the SEC brief intoned:

[Hirsch] posits that compulsory production of the subscriber information may potentially inhibit publication of articles about "small, emerging, growth stocks," intimidate subscribers and result in the disclosure of subscription information to competitors. This apocalyptic scenario derives from [Hirsch's] apparent fear or belief that the Commission cannot be trusted. . . . This unattractive contention is belied by the Commission's reputation for thoroughness, tempered by fairness, and if given credence will, *not may, impose unreasonable shackles upon the Commission's broad investigatory mandate. . . . Ultimately, one is led to conclude that, in this instance, "freedom of the press and speech" is a subterfuge, designed to shield [Hirsch's] possible culpability from disclosure.*

Conspicuous by its absence from the brief, dated March 3, 1982, was any claim that *Smart Money* was engaged in "commercial speech" and subject as such to regulation. Yet only two months later, in May 1982, the SEC in a letter to Sen. John Warner (R-Va.) based its entire First Amendment defense of regulation of financial newsletters on the ground that the newsletters are allegedly engaged in "commercial speech."

The letter, signed by Richard W. Grant of the SEC's Division of Investment Management, incredibly cited the court of appeals decision in the *Wall Street Transcript* case without mentioning that the SEC, after 10 years of litigation, had finally lost the case, that it had not attempted to appeal the loss, and that it had yet to find a court that approved of its strained interpretation of the bona fide publisher exemption in the Investment Advisers Act. As if that omission were not deceptive enough, the SEC also falsely told Senator Warner that the Supreme Court had "affirmed" its authority to regulate "newsletter publishers," when in fact the issue has never been ruled on by the Supreme Court at all.

The SEC soon discovered that some senators are more easily mollified than others. When the SEC sent the same response to Sen. Alfonse D'Amato (R-N.Y.), he promptly expressed his dissatisfaction at such a disingenous position and demanded a further response. The SEC is still working on it.

Senator D'Amato's reaction is not difficult to understand. Aside from the dubiousness of the current dogma that commercial speech is not fully protected by the First Amendment, the Supreme Court has held that commercial speech is "speech which does no more than propose a commercial activity"—that is, sales advertising. Clearly, as Michael Schoeman has argued in the *Business Lawyer* (the official publication of the American Bar Association's Business and Banking Law Section, which is not particularly known as a bastion of First Amendment zealotry), financial newsletters are *not* advertising vehicles but rather "are more akin to traditional press publications in that they contain information and opinion . . . about the merits of products (in this case, investments) sold by others, often mixed with traditional news about economic events." Supreme Court decisions support this view and have granted First Amendment protection in numerous cases to consumer or news accounts on goods and services, including commentaries on resort hotels, medical testing labs, and osteopathic physicians. As the Supreme Court held in *Buckley* v. *Valeo*: "This Court has never suggested that the dependence of a communication on the expenditure of money operates itself to introduce a nonspeech element or to reduce the exacting scrutiny required by the First Amendment."

Late in July 1982, the SEC filed a case in federal court seeking to permanently shut down *Stock Market Magazine* ("The Voice of the Small Investor") unless it secures an SEC printing license. According to the SEC papers filed with the court, *Stock Market Magazine* is a monthly publication with approximately 50,000 mail subscriptions and newsstands sales in major metropolitan areas throughout the country. The essence of the four-count SEC complaint was that the magazine publishes "analyses and reports concerning securities . . . without being registered as an investment adviser." Other charges are that the magazine published certain unspecified articles on companies written by their public relations firms (without attribution) as well as running certain unspecified articles on companies by free-lance writers who were paid $250-$500 by the companies featured (without disclosing by whom the writers were paid).

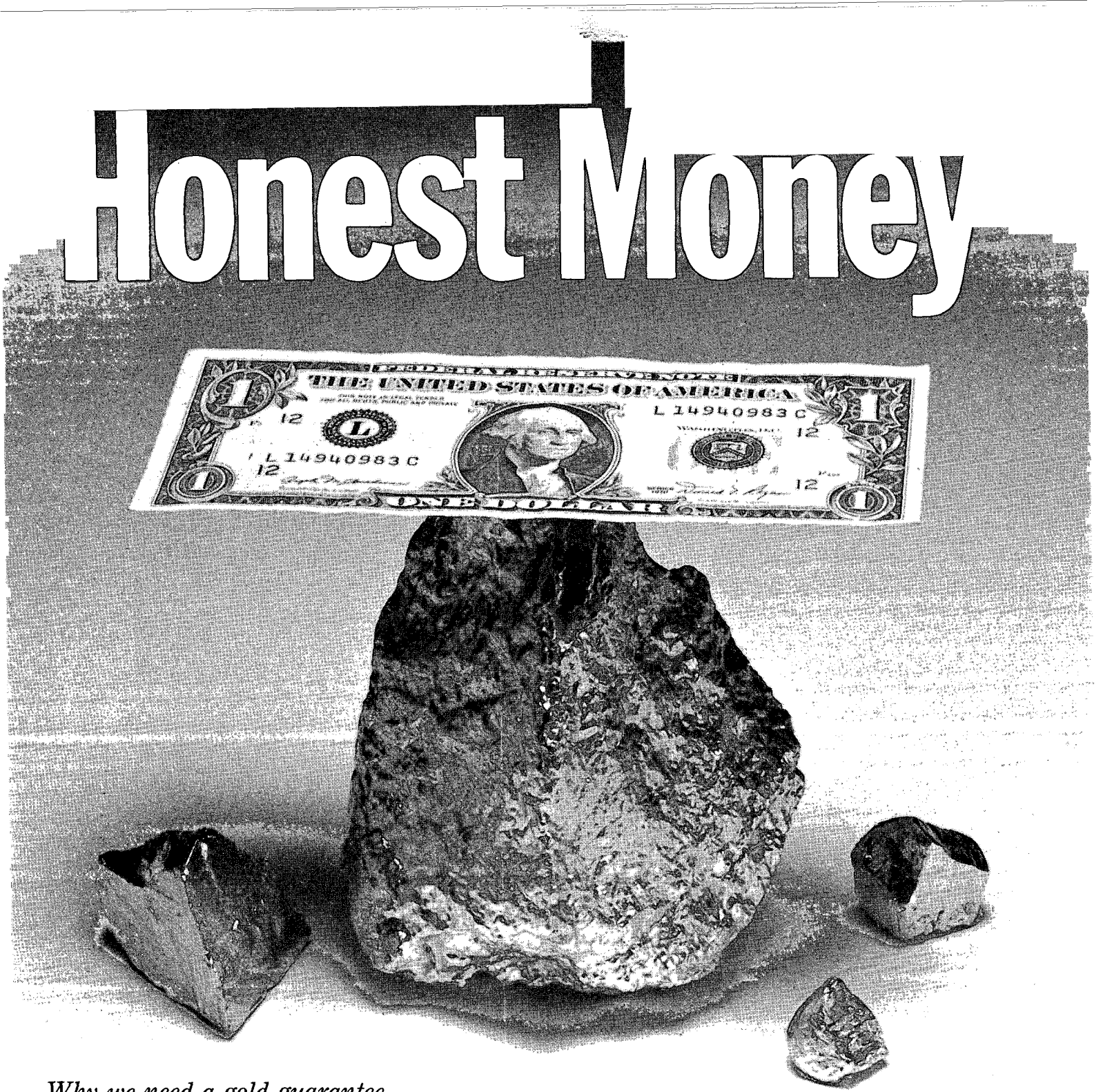
Questionable journalism? Possibly—if true. Sufficient cause to shut the magazine down? Never—unless the SEC has become immune from any obligation to honor the First Amendment. But that is what one must begin to wonder.

And then one must begin to wonder about the fate of the free press generally in the United States. Financial publishers and their editors and writers are a small minority among members of the media. They have in their midst an occasional Christopher Lowe. No doubt there are a few skeletons in closets throughout the publishing world, but in this case there is an agency of the government that has arrogated to itself the power to ride roughshod over the First Amendment—first with the requirement that permission be obtained and requirements be met before access to a printing press be allowed; then, once its foot is in the door, with demands pursued via lawsuits and censorship of editorial content.

It is indeed only one government agency waging war on the rights of only part of the press. Yet it is the government and it is the press, and as Justice Douglas warned in 1953, "The finger of government leveled against the press is ominous." If the SEC can continue with impunity its disregard for freedom of the press, which publishers are next? from which finger of government? for the seemingly benign protection of which group of consumers? ◻

Michael McMenamin, a contributing editor of Inquiry, *and William Gorenc, Jr., formerly managing editor of the* Cleveland State Law Review, *are attorneys with a Cleveland law firm. This article is a project of the Reason Foundation Investigative Journalism Fund.*

Honest Money



Why we need a gold guarantee

By Alan Reynolds

IT USED TO BE EASY TO SELL 100-YEAR BONDS AT 3 PERCENT; now people are ecstatic to find a 20-year mortgage at 14 percent. That symptom infects many seemingly separate problems from the budget deficit to the instability of international commodity prices to the Polish and Mexican debt crises. The entire dollar economy, worldwide, is precariously dependent on short-term debt. There is an urgent need to lengthen debts, to restore the confidence in future dollars needed to entice savings out of the short-term money market into long-term investments in stocks, bonds, and mortgages.

There are three hurdles that must be passed in moving from that problem to its solution:

- Is the problem fiscal or monetary?
- If the problem is even partly monetary, should the nation and the world move toward predictable rules governing monetary policy or continue to leave central banks with unlimited discretion?
- If long-term monetary rules are desirable, should they emphasize quantities of money (like M1) or prices—interest rates, exchange rates, or the price of gold?

Once the debate at last progresses to that final stage, there will then be broad agreement that economic progress requires a *credible long-term* monetary policy in at least one major nation. The

Photograph by Joyce True

world is starving for a monetary anchor, a stable unit of account for long-term contracts that eliminates windfall gains or losses to debtors or creditors.

The recent downturn in interest rates is of questionable duration. The devastating rise in long-term interest rates did not begin with Reaganomics but has instead continued in every single year since President Nixon severed the last connection between gold and the dollar in August 1971 and set the dollar afloat. Interest rates rose after the tax surcharge of mid-1968, kept rising as the federal budget deficit was slashed by 80 percent from 1972 to 1974, and rose again as the deficit was reduced by 58 percent from 1976 to 1979.

The supply-side fiscal reforms proposed by President Reagan were intended to reduce the *average* burden of government by reducing federal spending relative to private production and to reduce the *marginal* burden by retroactively indexing personal income tax rates. These policies can scarcely be the source of the recession—not only does the recession predate them, but nothing much in the way of supply-side fiscal reform has yet happened, despite heroic efforts.

Nondefense spending was a record 17.7 percent of the gross national product (GNP) in 1982, up from 15.9 percent in 1979. Although the July reduction in personal tax rates survived the disciples of President Hoover, a married couple, each earning the equivalent of $25,000 in 1979, will nonetheless face a tax bracket of 44 percent when they file their tax returns for 1982—up from 42 percent for 1981. Without the 1981 tax law, that marginal rate would have risen to 49 percent.

The government's financial problem cannot safely be shifted to households and firms—they already have the same problem themselves. After homeowners and corporations have made their interest payments, there is nothing left for the tax collector. Long-term interest rates, however, never exceeded 5 or 6 percent under any kind of gold standard, before or after the international monetary policy hammered out at Bretton Woods after World War II. If interest rates and unemployment were down to even the highest levels of the Bretton Woods era, the budget would soon be in surplus. The federal deficit is just one of many symptoms of a monetary crisis.

The United States has no predictable monetary policy at all. Nobody knows what the Federal Reserve is going to do in the years ahead, or how or why. Meanwhile, the Fed uses rusty tools to roughly massage a variety of shifting and irrelevant targets in order to meet unknown and probably unachievable objectives. Neither the Fed nor its critics can measure the quantity of money or predict its velocity, the rate at which it is moving through the economy.

RULE SEARCHING

IT SHOULD BE PAINFULLY CLEAR THAT A DECADE OF COLLAPSE IN long-term financial markets requires a long-term monetary solution. In recent years the Federal Reserve has shifted from trying to control interest rates to trying to control the quantity of money. But how could any believable long-term rule of monetary policy be expressed as quantity of money when (1) the definition of money is rapidly changing, (2) connections with the monetary base are eroding, and (3) all models to predict velocity have broken down since August 1971, when President Nixon closed the gold window? The 1982 *Economic Report of the President* answers that "the rule could be revised from time to time" at the discretion of the Federal Reserve. That is not a meaningful *rule.* Inflation is indeed caused by too much money, but only the markets know how much of which kinds of money is consistent with a dollar of stable value.

Monetarists, who advocate a quantity rule, ordinarily posit a two- to five-year lag between changes in the money supply and changes in the price level. Now, they want credit for the apparently cyclical slowdown in inflation. But to do so, monetarists must drop the idea of a lag and ignore the acceleration of the monetary base (bank reserves and currency) and of the broader measures of money.

In the past year, real interest rates higher than at any time since 1932 have forced the liquidation of inventories, commodities, and houses at distress-sale prices. A global going-out-of-business sale can indeed depress price indexes that are dominated by liquidated goods. But there is a world of difference between selling what we have at lower prices and producing more at stable prices. In fact, the falling value of claims against future output (such as bonds and mortgages) has raised the expected cost of living in the future and reduced the incentives to expand future production.

To restore confidence in the future purchasing power of money, many supply-siders could easily endorse some variant of the Stein Plan. In *Contemporary Economic Problems, 1980*, Herbert Stein wrote that "one can hardly imagine a hyperinflation and all its attendant uncertainties going on while the government honored a commitment to sell gold at a fixed price. Some version of a gold standard may, therefore, be useful . . . to provide assurance that there is a limit beyond which inflation will not go." One of the standard objections to a gold standard is that the government cannot control the quantity of gold. But, Stein goes on, "This function does not . . . require a continuous tight link between the quantity of money and the quantity of gold. The purpose could be achieved by a commitment to sell gold at a fixed price, the government remaining free to manage monetary policy by whatever rules or lack of rules it chose, so long as it protected its ability to honor that commitment."

Such convertibility imposes no rigid link between the Treasury's gold inventory and any measure of money—only a behavioral link. Concerns about having enough gold or enough money are therefore irrelevant. The supply of money becomes a residual—whatever people are willing to hold without converting into gold. Thus, the annual growth of M2 was 19 percent from 1879 to 1882, but consumer prices were unchanged. People trusted the money and held more of it.

This flexibility of a gold standard minimizes any costs of adjusting to zero inflation. On the other hand, if a monetarist quantity rule were somehow believed, interest rates and velocity would fall, and that rising demand for real money balances could only be met by deflation or by abandoning the rule. People would want to hold more money if inflation were stopped but could not do so with an arbitrary limit on the money supply.

GOLD GLOSSES

IN THE PAST YEAR, OF COURSE, THE *ECONOMIC REPORT OF THE President* has been widely quoted as destroying any case for a gold standard. What the report actually did was to perfect the technique of distorting history.

First, pretend that the Bretton Woods system was not based on pegging currencies to a dollar convertible into gold. This forces advocates of convertibility to instead defend the 1879-1914 period when there was no deposit insurance, no unemployment insurance, no central bank,

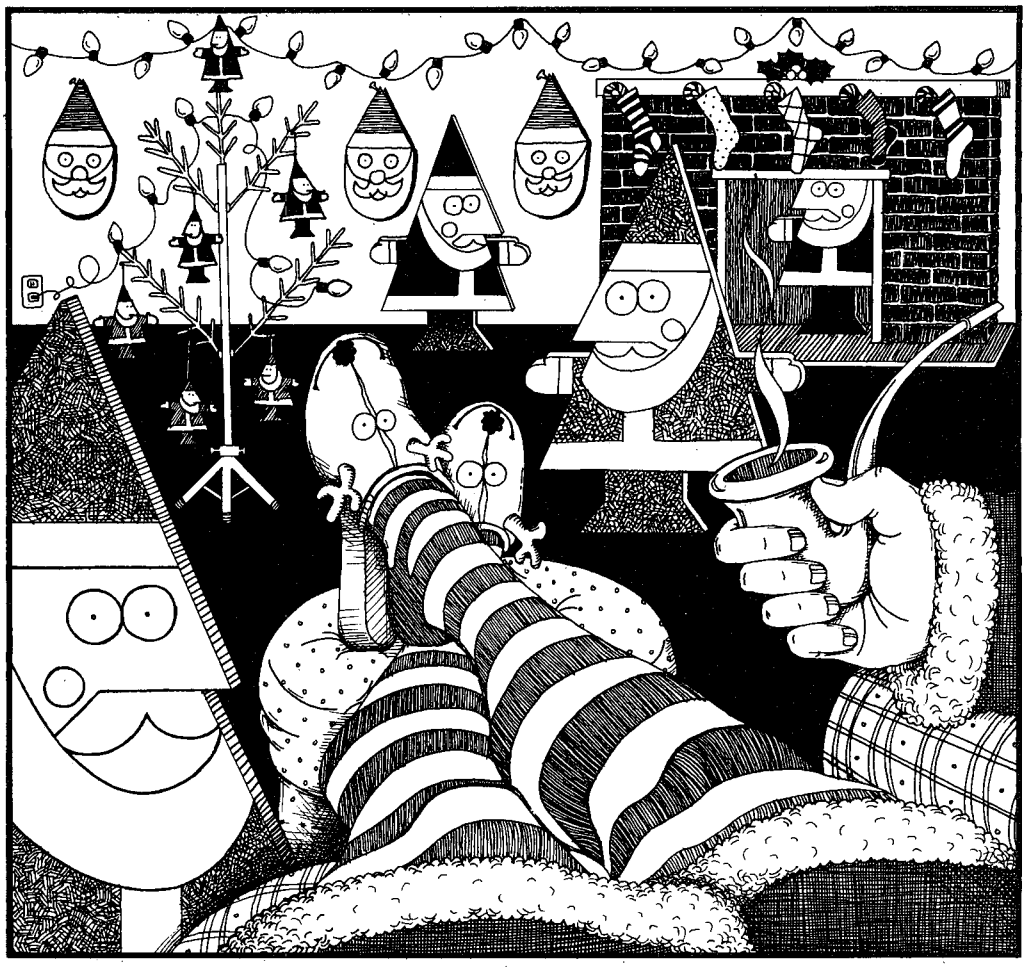
(Continued on p. 32)

Have Yourself a Commercial Little Christmas

By R. Gaines Smith

When the holidays roll around, one of the things I never fail to do is visit my favorite shopping center and spend four or five hours enjoying all the commercialism. I wallow in it.

In my town, there are plenty of people who would be happy to tell me that there is something shameful about my behavior and that I am missing the "true meaning" of Christmas or Hanukkah by allowing myself to be seduced by crass materialism. In a way, it is true that I am easy to seduce where holiday commercialism is concerned. I do love to look at all the new fashions, the toys, the games, the electric appliances, and the sporting goods. Heck, I even like the cardboard Santa Clauses, the artificial Christmas trees, the bright display lights, the sugar-laden goodies, and the acquisitive little kids.



But it is not necessarily true that I therefore miss the "true meaning" of the holidays. It is just that to me the holidays mean something different from what they mean to that annual chorus of puritans on the right and the left who feel obligated to convince me that commercialism sins and falls short of the Greater Glory of either God or the Revolution. To me, commercialism is part of the "true meaning" of the holidays. So one of the reasons I go downtown to wallow in commercialism is just to touch base, to tell myself that it is all still there, and, more important, to tell myself that, however deformed, the political and economic institutions that make it all possible are still there.

I enjoy the commercialism because I know that without political liberty and economic freedom, none of this would be possible. As long as I see commercialism during the holidays, then I know that I am still living in at least a semi-free society.

But it is during the holidays that all the enemies of freedom across the spectrum get together and agree on one thing: that commercialism is evil. They can't stand to have people see what freedom has to offer, especially when they have nothing to offer but stale dogma.

In my town, a local left-leaning radio station never fails to play over and over again Stan Freberg's "Green Christmas," in which a brisk musical tempo mingles with ringing cash registers. Local religious leaders join the chorus by calling on citizens to rediscover the spiritual meaning of the holidays through "sacrifice."

But you can find this anti-commercialism mentality anywhere. Since 1955, *U.S. News and World Report* has run an annual editorial entitled "Someday—a Real Christmas." The editorial laments that "this is an age of decaying morals and of crass materialism" and that "the real Christmas will never come through the electric display of slogans or the myriads of tinseled trees exhibited along

Illustration by Sandra Higashi

our thoroughfares."

And then there is the little book I found in the library called *Have a Natural Christmas*, which is published by Rodale Press and apparently comes out annually. The book contains a "collection of Christmas ideas based on creativity and on the use of natural and recycled materials, instead of on conspicuous consumption." To avoid an unnatural Christmas and to consume inconspicuously, the book suggests that you spend many hours baking, cooking, and fashioning little knickknack gifts out of the stuff you find out in the garage. According to the book, we should all do this because "we no longer feel in living partnership with nature. By benefitting from its exploitation, we have forfeited the conviction of being part of it—a belief that once gave meaning and perspective to human life."

What I fear is that some year I am going to go downtown and find neither a white Christmas nor a blue Christmas nor even a green Christmas. I shall find a gray Christmas. The lights will be off. People will be walking around with hollow eyes and shrunken bodies. Commercial products won't be around to oppress us because there won't be many of them left. People won't be wandering happily through commercial displays; they will be standing in long lines hoping to get what few products are left. Everyone will have discovered a new "partnership with nature" because many people will be spending time sleeping under bushes, picking wild berries, digging roots, and trying to survive bad weather. And there will be no more Santa Clauses and advertising slogans to beguile us. Those shall have been replaced by huge images of the latest dictator and by *his* slogans.

As much as I don't mind holiday commercialism, there is a sense in which I really don't even mind the annual detractors of commercialism. As long as they are pitching their foolishness, I know that commercialism still exists.

More important, I know that freedom still exists. And because of freedom, the religionists, the environmentalists, and the anticapitalists are still free to prattle.

So I say, Have yourself a commercial little Christmas. Make those cash registers ring. Commercialism is the triumph of capitalism. Commercialism is the showcase of what a free economy has to offer. Commercialism reflects the spirit of freedom, which, by the way, is still our best hope for peace on earth and good will toward men.

Gaines Smith is a free-lance writer and editor who lives in Eugene, Oregon.

Honest Money

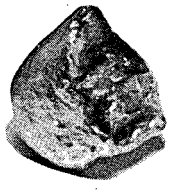
(Continued from p. 30)

and none of the stability that should flow from today's service economy with modern communications, transportation, and inventory control.

Second, pretend that ancient indexes of wholesale commodity prices are a reasonable measure of the purchasing power of money. That is, use an index of a few bulk commodities (mostly farm products), excluding consumer prices, services, and housing. This can indeed prove that wheat prices varied, but it cannot prove that the dollar did.

Third, start with a peak inflation year in which Britain or the United States was not on a gold standard, like 1814 or 1872, then compare commodity costs with the worst slump of the century, 1896. This method can fabricate a "deflation" of about 2 percent a year, which mostly occurred before gold was reinstated and was later largely due to productivity gains that lowered costs.

Some argue that any monetary rule will be bent during wars or crises, so we should skip the rules and go directly to the bending.



Fourth, insinuate that every failure of banks or crops was due to the gold standard. Actually, no serious research has blamed a single major recession on the gold standard per se, though government *threats* to the standard did cause trouble in 1884, 1890-96, 1929-34, and 1968 to date.

When all else fails, raise undefined fears about strange foreigners raiding "our" gold hoard or dumping gold on the US market or both. But suppose the Soviets did sell tons of gold to get dollars and used those dollars to buy grain or repay debts. Any inflationary pressure would make the fixed price of gold a relative bargain, encouraging those with extra dollars to exchange them for gold. The only net effect would be that Americans received Soviet gold—rather than IOUs—for their grain. Similarly, if Arabs unloaded T-bills to buy US gold, the interest rate would rise, inducing others to sell gold to acquire T-bills. Gold convertibility is a self-correcting mechanism.

Proponents of a modern gold system are not obliged to defend ancient history, except by comparison with the uniformly disastrous history of fiat money. Still, the return to gold in 1879 has some limited relevance. An 1874 bill initiated a return to convertibility at the start of 1879. Bond yields dropped by a third from 1873 to 1881, stock prices rose by 30 percent. A strong economic expansion took off immediately, with a 16 percent rise in real output in 1879.

Victor Zarnowitz recently updated the old business cycles for the National Bureau of Economic Research. Instead of 10 recessions from 1879 to 1914, he finds only 7 in 35 years. In the most recent 35 years, we had 9. The average expansion from 1879 to 1914 was not 22 months, as originally thought, but 39. Annual growth of real GNP exceeded 4 percent. Employment of manufacturing workers soared from 2.7 million to 6.6 million. Industrial production rose by 534 percent. Real wage rates in manufacturing rose by over 30 percent from 1890 to 1914; they did not rise at all in the past 10 years (even before taxes). The classical gold standard performed very well, considering the disadvantages a century ago, but it is certainly possible to do better.

There are, of course, a few standard objections to any meaningful change. Some argue that any monetary rule is likely to be bent during wars or crises, therefore we should skip the rules and go directly to the bending. Since the value of the dollar used to be changed every 36 years, we might as well let it change every 36 seconds. Another argument is that we have to end inflation *first* before we introduce any system to deal with it. In scientific language, "We can't put the toothpaste back in the tube."

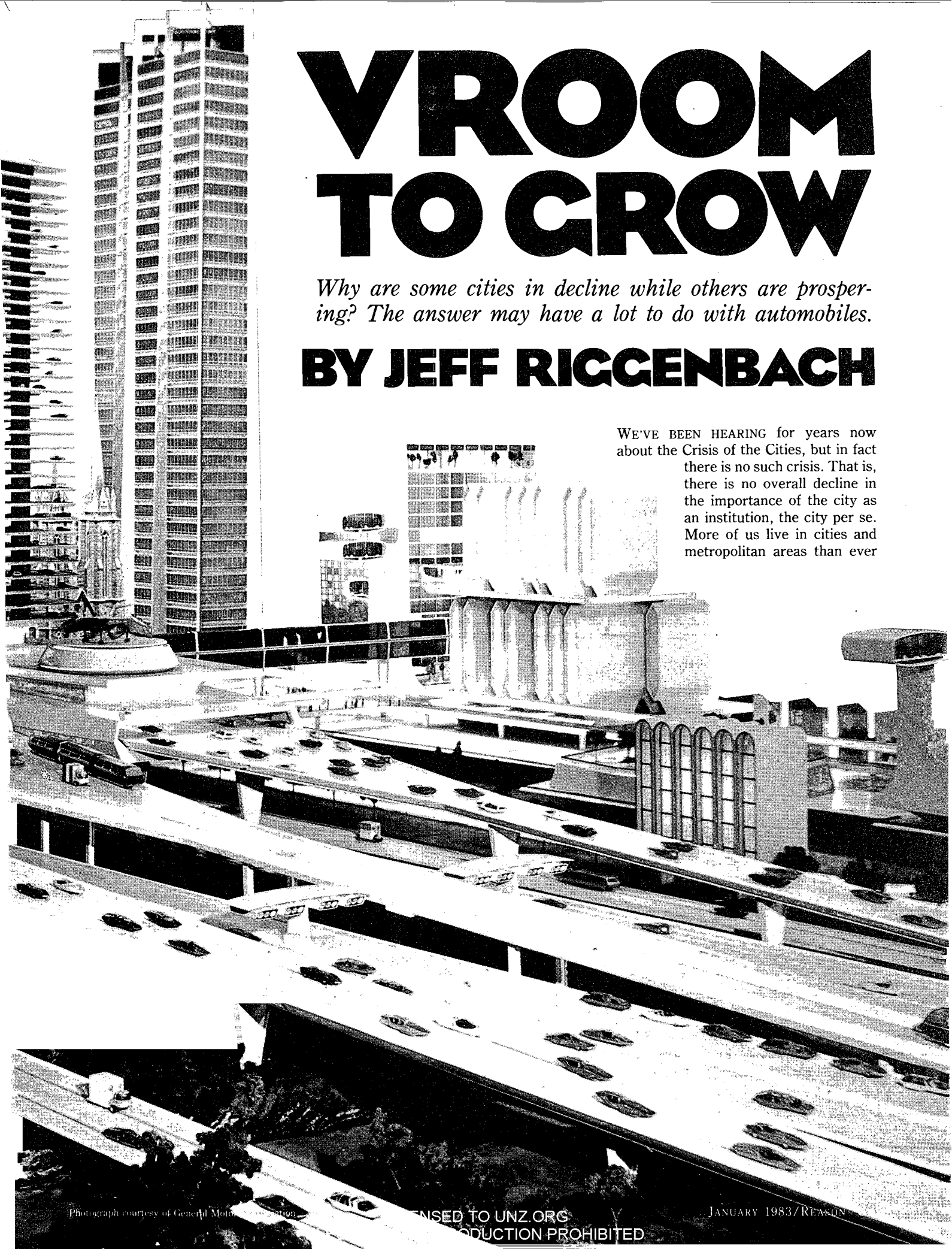
It is easier to attack change per se than to defend the existing nonsystem. The unwillingness to commit savings to long-term uses is profoundly serious. People do not trust the money. Chasing the elusive Ms from week to week is not the solution but the problem. There is only one way that confidence in currency, once lost, has ever been restored, and that is by guaranteeing it in gold. ◻

Alan Reynolds is an economist at Polyconomics. This article is adapted from a presentation at a conference, "Supply-side Economics in the 1980s," sponsored by the Federal Reserve Bank of Atlanta and Emory University.

VROOM TO GROW

Why are some cities in decline while others are prospering? The answer may have a lot to do with automobiles.

BY JEFF RIGGENBACH



WE'VE BEEN HEARING for years now about the Crisis of the Cities, but in fact there is no such crisis. That is, there is no overall decline in the importance of the city as an institution, the city per se. More of us live in cities and metropolitan areas than ever

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before in history.

What has been happening over the past couple of decades is a steady, unmistakable migration of the American population, not away from cities as such, but away from some cities in favor of others. And as writer Nicholas von Hoffman has pointed out, for politicians in the cities that are losing people: "Population loss is power loss. In some ways that's what the urban crisis is, the clamor made by the heads of institutions that fear they can't follow the people when they leave for happier climes."

The question is, why are all these people leaving? The most common answers place the blame on climate, economic changes, and simple old age. *Newsweek* reported in May 1981, for example, that "there has been a massive shift of people and jobs from the Snow Belt cities of the North to the Sun Belt cities of the Southwest. While the older cities struggle to rebuild aging steel mills and auto plants, the newer cities march into the post-industrial world of computers and semiconductors."

This kind of analysis is plausible enough as far as it goes. People do prefer to live where the climate does not present major obstacles to their comfort, mobility, efficient use of time, and achievement of affluence. And the biggest growth records set by American industry in the past generation have indeed been set by firms in the mainly Sun Belt–based computer and electronics fields.

Still, to blame the urban migration entirely on the weather and the location of most new high-tech industry is to indulge in dangerous oversimplification. Anchorage and Denver, two of the fastest-growing of the boomtowns of the 1980s, are undeniably in the Snow Belt. And just as undeniably the climate in Phoenix is a forbidding one: some, who have visited this rapidly growing city during the summer months, might even without fear of argument call it *more* forbidding than the climate of Detroit or Cleveland. Nor is all our new high-tech industry headquartered in California and Texas and Florida. Some of the largest and fastest-growing electronics firms and communications technology companies are headquartered instead in suburban Boston and suburban Chicago. They are in the suburbs rather than in the city proper, it is true; this is a highly significant fact to which I shall return later. But they *are* relatively new high-tech companies, and they are operating and even prospering in the metropolitan areas of Snow Belt cities that, despite such pockets of hope, go right on dying.

Some commentators discuss the difference between the declining cities and the booming cities in terms of age—the older cities are declining and the younger cities are booming. But this explanation, too, is fraught with difficulties. The city of Los Angeles, which is commonly (and properly) seen as a perfect instance of the "younger" city, celebrated its 200th birthday last year. In 1790, at a time when Chicago, Cleveland, and Kansas City were mere Indian villages or frontier trading posts, Los Angeles was only nine people smaller than Louisville, Kentucky, which was founded three years earlier in 1778. By 1900 Louisville was twice the size of LA (204,000 to 102,000); today it is only a little more than a tenth the size of LA. Since 1960 Louisville has lost nearly 20 percent of its population; the population of LA has grown about 15 percent in the same period. Louisville is not an older city than Los Angeles. They are almost exact contemporaries. But one of them grew more rapidly and then declined, while the other has continued to grow.

Nor is this an isolated phenomenon. San Antonio, Texas, and Akron, Ohio, were also founded at about the same time, circa 1825. San Antonio has always been the larger of the two, but as time has gone by, the gap has widened noticeably. In 1900 San Antonio had a population of 53,000 to Akron's 42,000, which means the Texas city was about 25 percent larger than its Ohio sister. By 1950 San Antonio was the 25th-largest American city, with a population of 400,000, while Akron was the 39th-largest, with 275,000 people. Today San Antonio is our 10th largest, with 785,000 residents, while Akron has slipped to 59th, with only 240,000. San Antonio is now more than 200 percent larger than Akron.

Houston and Milwaukee are another instructive pair. Milwaukee is the younger of the two by one year, having been founded in 1837 to Houston's 1836. At first Milwaukee grew much more rapidly: in 1850 the Wisconsin city was already nearly 10 times the size of its Texas cousin. But by 1960, when Milwaukee's population reached its all-time high of nearly 750,000, Houston's had grown to 940,000. And today Houston is at 1.5 million and still growing, while Milwaukee has fallen back to 630,000—a 12 percent drop in population over the last decade alone. Houston is also an older city than Atlanta (founded in 1847), but it is Atlanta that is declining. The population of Georgia's biggest city fell by 15 percent during the 1970s, while Houston's population grew by nearly 30 percent.

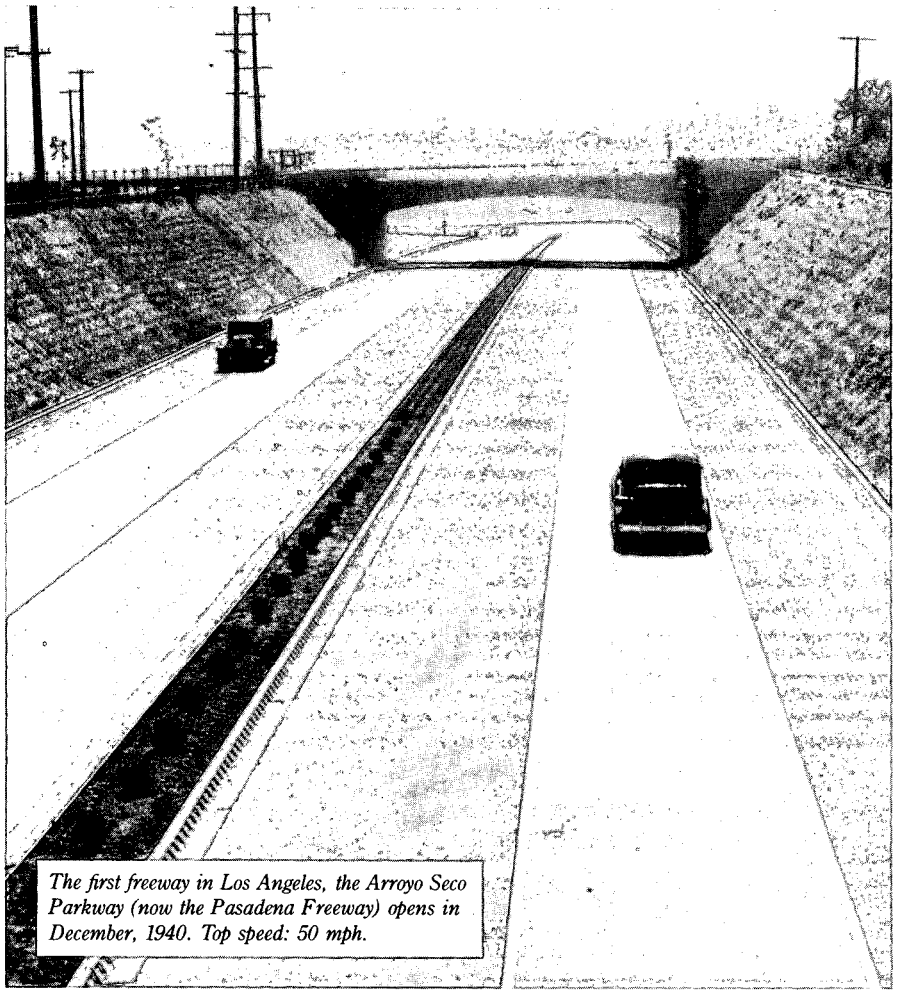
MACHINE OF FREEDOM

BUT IF WEATHER and economic trends and old age aren't the answer, what is it? Why *are* so many of our cities dying? The answer is to be found in the controversial final report of President Jimmy Carter's Commission for a National Agenda for the Eighties (available in paperback from Spectrum Books under the title *A National Agenda for the Eighties*). "Contrary to conventional wisdom," the report states, "cities are not permanent; their strength is related to their ability to reflect change rather than to fend it off." And those American cities which are in decline have, by and large, brought their decline on themselves by trying to fend off one of the most powerful and comprehensive forces for change to appear in human civilization for centuries: the advent of the automobile.

Barely a hundred years ago, there was no such thing as an automobile; today it is all around us, and there is no escaping its all-pervasive influence on American society. Without it, 87 percent of our work force would have to find some other way of getting to work—if they still had jobs to go to. One out of every six jobs in this country owes its existence to the automotive industry. Ninety percent of all personal transportation in this country is by private car. Nearly eighty percent of all commercial transportation is by truck. Seventy-five percent of all American adults drive. More than 130 million Americans own their own cars. Cars have made insurance, tourism, rubber, and petroleum into giant industries and have created other industries where none had existed before: the motel business, the service station business, the car wash and car repair and rent-a-car and parking businesses. Cars have given us drive-in movies, drive-in restaurants, and drive-in convenience stores, to say nothing of drive-through banks, drive-through photo developers and drive-through fast-food joints.

Moreover, from *The Great Gatsby* to *The Grapes of Wrath* to *On the Road* and *Play It As It Lays*; from *Zen and the Art of Motorcycle Maintenance* to *Easy Rider*; from *Tobacco Road* to *Thunder Road* to *Rebel Without a Cause*; and from "In My Merry Oldsmobile" to "Route 66" to "Wake Up, Little Susie" to "Little Deuce Coupe" and the scores of trucker ballads ground out annually by our country music industry, the automobile has become one of the central symbols of our

national folklore and a staple image in American literature, American film, and American popular song. It has become literally one of the cornerstones of American culture, and for a reason so obvious that it needs periodic restatement to prevent its being entirely forgotten: our culture draws both its distinctive national character and its remarkable fecundity and durability from a fundamental and unshakable commitment to exactly the sort of self-reliant individualism and personal freedom that have found their most advanced technological expression to date in the development of the automobile.



The first freeway in Los Angeles, the Arroyo Seco Parkway (now the Pasadena Freeway) opens in December, 1940. Top speed: 50 mph.

The car, writes John Rae in his classic, indispensable study, *The Road and the Car in American Life*, "offers individual, personal, flexible mobility, as nothing before it has ever done, and as nothing else now available can do." The car, writes David Laird in a recent essay on the automobile in American fiction, offers "enclosure, security, individual autonomy and control, freedom to do as one pleases." The problem with most "reflections on the impact of the automobile," writes economist Robert L. Heilbroner, is that they "still fail to do justice to its quintessential contribution to our lives. This is its gift of mobility itself...as a direct enhancement of life, as an enlargement of life's boundaries and opportunities. This is so enormous, so radical a transformation that its effect can no longer be measured or appreciated by mere figures. It is nothing less than the unshackling of the age-old bonds of locality; it is the grant of geographic choice and economic freedom on a hitherto unimagined scale." If A. J. Liebling was right in his contention that freedom of the press belongs to the man who owns one, then it would seem indisputable that freedom of movement belongs to the man who has some means of getting about—and only to the extent of that means' efficiency and flexibility—which is why, for the person who owns one, the automobile is truly the machine of freedom.

The truth of this point is acknowledged even by the most hysterical of the automobile's opponents and detractors—even by A. Q. Mowbray, for example, who believes that unless we are prepared "to limit by fiat the manufacture of cars and trucks; to coerce car owners by tax or otherwise to use public transportation; to close state and city borders to visitors approaching by car; to tear up rather than to build freeways, garages, bridges, and tunnels," we will shortly reach a time when "the environment will have become utterly hostile to human life." Even A. Q. Mowbray, author of *Road to Ruin*, has noticed that auto ownership "confers many blessings: unparalleled freedom of action, opportunities for travel and home location, and simply the pleasures of tooling around aimlessly. The possibilities for movement seem infinite, and all with a degree of independence and privacy never before achieved....The automobile gives its owner multiple choices in spades—he goes where he wants to go, when he wants to go, and stops when *he* is ready, and not before."

Automotive historians generally agree that it was the desire for exactly such independence, autonomy, and control over one's own personal movement that made Americans such enthusiastic buyers of cars from the very first moment of their availability in the American marketplace. Those who lived on farms or in rural towns, for example, welcomed the freedom to *really* take their business elsewhere if they couldn't find what they wanted in the mail order catalogs and the few small stores of limited inventory that they had nearby. They welcomed the freedom to live in the country without having to worry that their distance from centers of medical treatment might someday lead to the death of one of their loved ones. They also welcomed the freedom to use more of their time satisfying their own personal desires—a freedom they were given not only by the Model T, which shortened the span of hours they had periodically to spend on trips into town, but also by the Fordson tractor, introduced by Ford shortly after the Model T, which dramatically shortened the time they had to spend in the fields.

By 1926, according to Harvard researcher Joseph Interrante, 89 percent of the tenants and 93 percent of the farmers in the prototypical farm state of Iowa owned automobiles. And after the advent of the car, writes Michael Berger in his recent book *The Devil Wagon in God's Country*, "everything was more complex. No longer did one choose friends, leisure activities, or the family doctor merely on the basis of proximity. The new associations included people from geographically separate units, and interest rather than location became the primary tie among them. As John H. Kolb and Edmund deS. Brunner concluded in 1935, 'rural society is becoming less dependent upon locality and organic relationships and is freer to employ voluntary and contractual forms.' Time ceased to be the barrier it had once been."

Photograph courtesy of Caltrans

EXODUS FROM THE CITY

FOR THOSE WHO LIVED in the cities, the story was much the same. Before the car, city dwellers found it necessary to live within easy walking distance of their jobs and the stores where they shopped. Never mind that the housing immediately adjacent to the factories where most of them worked was almost always crowded, dirty, and noisy. Never mind that the prices were high in the small neighborhood shops where they were forced by circumstances to do all their business. Never mind that such shops offered only a limited selection of merchandise at their high prices. The city dweller in 19th-century America lived in the land of Hobson's choice: he could take whatever his neighborhood happened to offer or nothing at all.

This situation was improved somewhat during the last three decades of the last century by the fairly extensive development of fixed-rail urban transit, at first in the form of horse-drawn streetcars and trolleys and then in the form of electric or steam-driven streetcars, trolleys, and commuter trains. Urban rail transit markedly increased the options available to city dwellers, but only within certain very narrow limits. You had to want to go where the rails led; if you had another destination in mind, the streetcars, trolleys, and trains couldn't help you. You had to be willing to go when the transit company (commonly a city-granted monopoly) was ready to take you. And you had to put up with a lot: "Travelers on urban fixed-rail trolleys," writes Mark H. Rose in *Interstate: Express Highway Politics, 1941-1956*, "all faced encounters with pickpockets, drunks, thugs, and the obnoxious. Streetcars themselves were dreadfully over-crowded. Passengers were 'packed like sardines in a box, with perspiration for oil' and were forced to 'hang on by the straps, like smoked hams in a corner grocery.' "

"With conditions like these prevailing in our mass transit systems," writes A. Q. Mowbray, "we need not wonder why transit riders reacted to the automobile like a starving man in a supermarket. Here was comfort, convenience, privacy, independence." Here also was a way out of the city. Whether one wanted to get out for a few hours or a couple of days on an outing in the newly accessible countryside or to get out for good, abandoning the city for life in the suburbs where one could afford a house instead of an apartment and relax on one's own land instead of on some corner of a crowded public park—one could do it if one had a car. And one could leave the city in any direction one liked. It no longer mattered where the rails led.

The rest, as they say, is history. Beginning around the time of World War I, rising to a peak in the late 1920s, falling off somewhat during the Depression and World War II years, then rising again over the next quarter-century to hitherto undreamed-of levels, people got out of the cities. As early as 1908 the advertising profession had seen the beginnings of this trend. In *The Road and the Car in American Life*, John Rae quotes an auto ad of that year: "The Sears is the car for the business man who has tired of home life in a congested neighborhood and yearns for a cottage in the suburb for his family."

"The outward trend of population in American cities," Rae comments, "was clearly visible in the 1920s. Figures for eighty-five metropolitan districts (which would now be termed SMSAs) show a growth pattern in which the rate of increase for outlying territory was twice as great as in the central cities. At that time the suburban population was 30.0 percent of the metropolitan total, although in eleven of these districts the population outside the central cities was already greater than that inside. In addition, there was evidence of a tendency for large cities to lose population in their inner zones."

Half a century later, this tendency had become even more pronounced. Between 1950 and 1970, according to Landon Y. Jones in *Great Expectations: America and the Baby Boom Generation*, "the population of the suburbs doubled from 36 million to 72 million. No less than 83 percent of the total population growth in the United States during the 1950s was in the suburbs, which were growing fifteen times faster than any other segment of the country."

And today, according to the President's Commission for a National Agenda for the Eighties, "although more than 70 percent of the U.S. population still lives in metropolitan areas, migration to the suburbs continues, and, since 1970, there has been a reversal of the traditional movement in the United States toward the cities. People are now moving away from the cities entirely—to rural areas and small towns."

Of course, as we have seen, it can be misleading to say that people are leaving "the cities," because in fact they are leaving some cities and moving into others. And much of the movement away from cities to small towns in rural areas will doubtless be seen retrospectively—perhaps as soon as the end of the present decade—to have been movement to the suburbs. Twenty years ago a family that moved from Houston to La Porte, Texas, would have been leaving a city and relocating in a small town surrounded by farmland. Today a family moving from Houston to La Porte would simply be making a move to the suburbs, and not even to one of the farthest-flung of Houston's suburbs, which now continue some miles past La Porte to League City, on the other side of the Galveston County line. Seventy years ago, Hollywood was a small town at the foot of the mountains north of Los Angeles and was separated from Los Angeles itself by miles of open fields. Today Hollywood is generally regarded as part of the inner city of Los Angeles. Times change.

ADAPTING TO CHANGES

AND THEY CHANGE for business as well as for families. Since World War II, American industry has also been relocating in the suburbs—or, in the case of heavy industries, in the country beyond the suburbs. John Rae reports that "in an eight year period (1947 to 1954) the number of industrial plants in Chicago's suburbs doubled; during the same eight years Detroit had a 47 percent increase in central city manufacturing establishments but a 220 percent rise in the suburbs. At longer range and on a broader scale, before the Second World War nine out of ten new factories were built in metropolitan areas; by the mid-1950s new construction was about evenly divided between urban and country districts; subsequently the proportion of new factories located outside metropolitan regions has risen to 80 percent—a striking measure of the extent of industrial dispersal."

This passage was written in 1970. Since then the trend has continued. "Businesses have relocated in suburbia at a rate equal to that of families," William Severini Kowinski wrote in the *New York Times Magazine* early in 1980. "New York City's share of metropolitan-area employment dropped from 65 percent in 1953 to 52 percent in 1976.

Thomas Muller, principal research associate of the Urban Institute, cites this loss of private employment as a major factor in New York City's fiscal crisis. The same could be said of Chicago, Boston and other cities."

Why have businesses been leaving the cities? In the case of retail businesses, the answer is obvious enough: in pursuit of their departing customers. But in the case of the manufacturing industry, the answer is more complex. "First," writes John Rae, "is the rapid development of industrial technologies stressing continuous flow of materials and automatic controls, which may require production processes involving straight-line movements of considerable length. In addition, modern methods of handling materials with mechanized equipment, such as conveyors and fork-lift trucks, work best in one-story structures. These factors in combination demand space and therefore encourage location where the cost of land is comparatively low, a condition more likely to be met in outlying than in central city areas."

Of course, as Rae points out, "this incentive to disperse must be balanced against other considerations. The factory has to have a site permitting ready movement of goods in and out and accessible to the work force. In the past these factors limited locational choices, since the places where land was plentiful and cheap were likely to have inadequate transportation and to have too few people within practical traveling distance. The motor vehicle and the highway greatly expanded the options. The passenger car solves much of the problem of personnel and is a major locational factor in its own right, allowing a plant to be in open country and draw its labor supply from as far as thirty to forty miles. Parking facilities, in fact, may require more land than the plant itself, another incentive to seek open space."

So it was that the advent of the car influenced businesses to move out of the central city. But another automobile called the truck was an even greater influence. In the late 19th century, the transportation of people, both within cities and between cities, was accomplished primarily by fixed-rail systems. The transportation of *goods*, on the other hand, was accomplished by rail only when the goods were traveling from one city to another. When they were traveling *within* cities, or to recently established towns that weren't yet served by rail lines, they went by horse and wagon. The introduction of the truck in the early 1900s changed all this. Trucks proved to be a much faster method of getting goods to their destinations, and time was money then just as it is today. So trucks quickly replaced horse-drawn wagons within cities and began gradually to supplant the railroads as intercity carriers as well. As new towns and cities sprang up, it was discovered that these new population centers could be served by truck much more cheaply than by train, if only because establishing train service required immense capital outlays for the construction of new tracks, while trucks were able to use the roads that were already there.

Unfortunately, the era of the truck created problems for the very manufacturers who were trying to save money by converting to truck transport—the problem of congestion, for example, which filled the narrow streets around their inner-city factories with nightmares of tangled vehicles and threatened to create delays that would eat up the savings they had hoped for by switching to trucks in the first place. There was no question of constructing off-street parking areas and loading docks for the trucks: the space wasn't available, or if it was the price was prohibitive. On the other hand, if the factory were to move to the country outside the city, it could provide plenty of space for trucks at relatively low cost. And although moving out of town would put the factory at a distance from rail terminals, that was no longer as big a problem as it once had been. After all, the owners could merely cease relying on the railroads altogether and use trucks for all their transportation requirements. Thus began the exodus of industry from the central cities.

CITY OF THE AUTO AGE

AND THUS IT IS that today we live in a country in which the typical American is a suburbanite, in which a majority of our fellow citizens live in suburbs rather than in central cities or rural areas, in which the lion's share of the nation's business is now out in the suburbs, and in which the only cities not suffering from steady and apparently irreversible decline are those which have adapted to the automobile by becoming more suburban—that is, less dense, more decentralized and auto-accessible—in character. When everybody drives his own vehicle, there's more traffic and more of a parking problem and really very little question, in any city of more than a million people, of being able to build any single central business district that could possibly be both compact enough to be genuinely centralized and lavish enough in its parking facilities to accommodate all the cars of all its workers and shoppers and players all at once. The car and the old centralized city are fundamentally incompatible.

The city of the automotive age, on the other hand, is decentralized. It has not one central business district but several. In Los Angeles, for example, the largest and best known of our decentralized cities, there is downtown (including the Wilshire corridor from civic center to Beverly Hills), which houses the city's governmental buildings, its convention center, its music center, and its garment district; Hollywood, which provides a home for one of the city's largest medical centers, along with most of its bookstores, record shops, and movie theaters, a generous selection of its best restaurants, and, of course, the radio, TV, and film industries that have made LA the international center it is today; and Century City, the downtown of the airport area that also, in effect, absorbs the high-rise office towers and luxury hotels that spill over from downtown and the entertainment that spills over from Hollywood. There are also the extensively developed central downtown sections of three important "close-in" suburban cities—Beverly Hills (which is so close-in that it has long been completely surrounded by Los Angeles), Glendale, and Long Beach. And there are the "downtowns" that have developed in the past decade in Westwood (site of UCLA) and Van Nuys (adjacent to the campuses of three large commuter schools—Valley College, Pierce College, and California State University at Northridge).

The Angeleno in search of employment, shopping, or entertainment of the sort traditionally found in central business districts is likely to be able to find what he wants in any one of these eight central business districts and so will usually tend to visit the one closest to his home. But should he need to travel to one of the others, he will find it easy to get there by car—either via freeway or via wide, fast-moving "surface streets" like the city's major six-lane east-west thoroughfare, Olympic Boulevard—and easy to park once he's arrived. He may travel more miles in the course of his shopping trip than his counterpart in a centralized city, but he may very likely invest less *time* in the project. And as John Rae has noted, "the essential element of transportation for a modern metropolis" is the realization that "the time required to complete a journey is more important

than the distance traveled."

The automobile is so much faster than any form of surface public transit that it makes distance within an urban area virtually irrelevant—whether you're a business or an individual. Rae reported in 1971 that "companies that relocated along the Santa Ana Freeway in Southern California" shortly after that freeway was opened about a decade before quickly "found that the travel time to central Los Angeles was less than from their former intown sites." Even in rush hour traffic in the heart of the central business district, the automobile is faster than its alternatives. Wilfred Owen reported in a Brookings Institution study in 1966 that cars averaged 14 miles per hour in such circumstances in Washington, while transit vehicles that also operated on the surface averaged only 8 miles per hour. In Philadelphia, the situation was comparable: cars averaged 8.3 miles per hour in downtown rush hour traffic, while surface mass-transit vehicles were able to manage only 5.6 miles per hour.

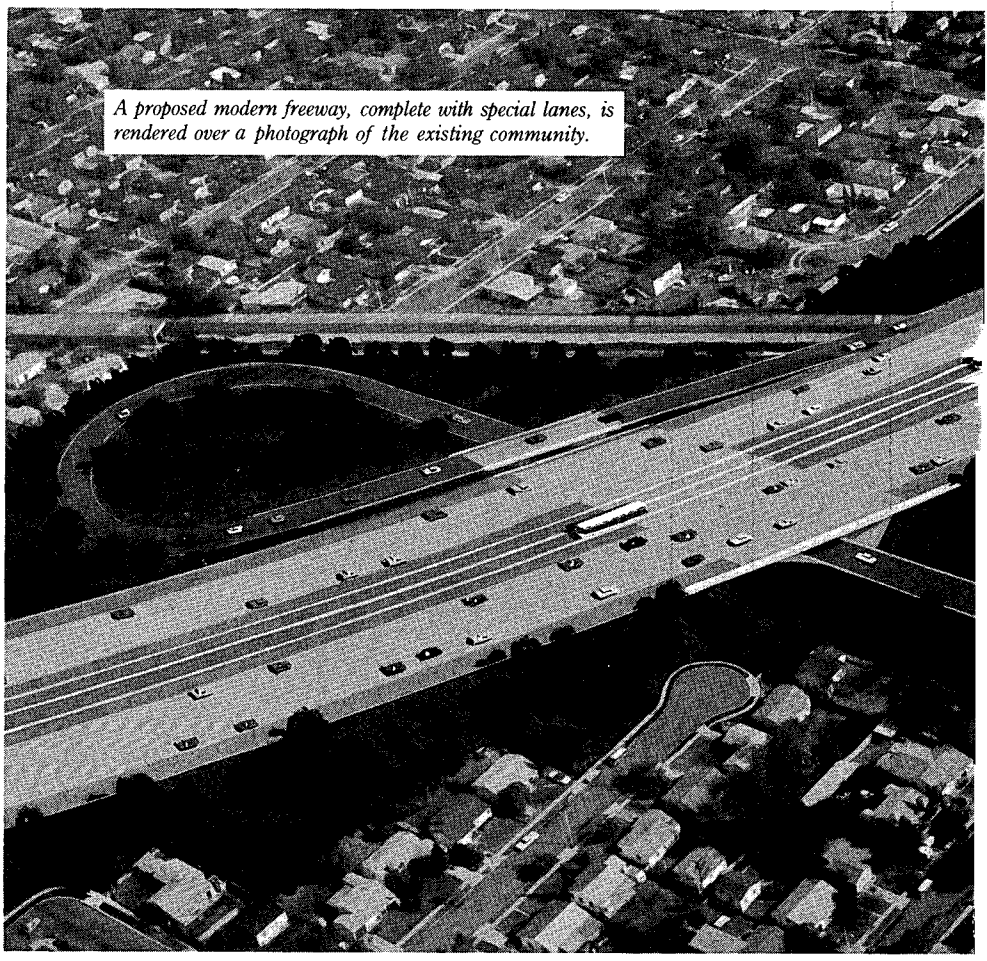
Even under the worst of conditions, that is, the automobile is a more efficient means of transportation—in addition to offering a degree of individual autonomy, privacy, and personal choice in transit that could not possibly be delivered by any alternative now known to human science. Is it any wonder that Americans have opted for it so overwhelmingly? The automobile is the machine of freedom, and the decentralized or polycentric city it has brought into being is better equipped than any city of any other known type to accommodate all at once all the many disparate choices, decisions, and actions of millions of individuals, each of whom has the power to move himself at will to any urban destination of his choice. The decentralized city is the best framework yet developed for the spontaneous order of a free market in mobility, perhaps because the decentralized city is itself the product of such spontaneous order, of the predominantly free interaction of past market forces. As the President's Commission for a National Agenda for the Eighties argued: "Federal urban policy efforts should not necessarily be used to discourage the deconcentration and dispersal of industry and households from central urban locations. Each emerging deconcentration trend is nothing more than an aggregate of countless choices by and actions of individuals, families, and firms influenced by social, cultural, and economic considerations; our public policy tools are least useful when they attempt to alter in a predictable way what the individual household or firm will do."

AUTOMOTIVE MYTHS

IT WAS NEATLY SYMBOLIC of the official view of the automobile and urban decentralization that President Carter publicly rejected his commission's findings on the crisis of the cities literally as soon as they were presented to him. For from the very beginning, ever since the days when police in a number of American towns were legally empowered to keep cars outside the town limits by shooting at their tires and by stretching ropes or chains across local roads to block their progress, public policy on every level of American government has almost always been virulently anticar and procentralization.

This view of our recent transit history is, of course, violently at variance with the current conventional wisdom on the subject. But then the conventional wisdom on almost every subject is almost invariably wrong. In this case the conventional wisdom contends that the automobile has come to dominate our transportation horizon because it has been the beneficiary of massive government subsidies, principally in the form of federal and state freeway and superhighway programs and government-funded construction of parking facilities in central business districts. These roads and lots and garages, it is argued, induced people to abandon public transit and buy cars. Otherwise, the argument goes, they might not have done so, or they might have done so in smaller numbers.

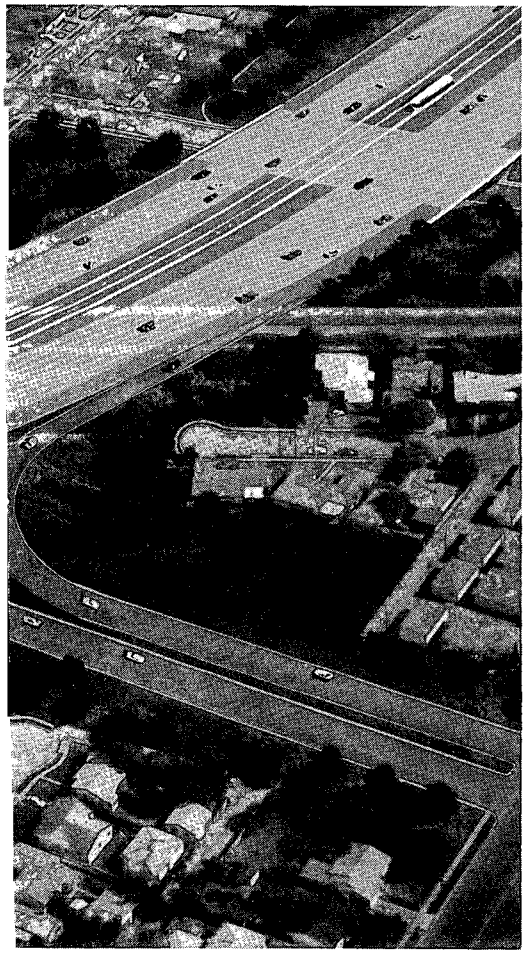
Such an argument requires for its success either an extreme credulity or a profound ignorance of the history of urban transit on the part of those it is intended to convince—though its partisans have also profited to some extent from the Big Lie technique first described in the abstract by Adolf Hitler: tell a preposterous falsehood often enough, loudly enough, and with enough self-assurance, and everyone will soon come to believe it. It is true, of course, that our roads are government-built. But by and large, they always have been in this country. Was government supposed to stop building them after the invention of the automobile in order to discourage use of the new invention?



A proposed modern freeway, complete with special lanes, is rendered over a photograph of the existing community.

Illustration courtesy of Caltrans

It is also true that one is more likely to buy a car if there is a road to drive it on than if there isn't. But it is absurd to try to pretend that there were no roads in the pre-automotive era. On the contrary, as John Rae points out, "analysis of the data reveals that motor vehicle transportation actually requires *less* street space than most cities had in the pre-automobile era, *even including the substantial area taken by freeways.* The reason is that when the fast-moving through traffic is put on built-for-the-purpose arterial roads, then the amount of ordinary street space needed for strictly local movements and for access to property drops sharply." (Emphasis added.) An urban freeway system, he argues, can carry upwards of 50 percent of all urban traffic on only 2 to 3 percent of the land. Moreover, he writes, "what applies to city streets applies equally to the entire national highway network; most of the roads



would have to be there even if the motor vehicle did not exist. They would be different in quality, but the same mileage of roads at the very least would be needed for local transport."

For maximum efficiency of performance and maximum comfort of passengers, automobiles do require better-quality roads than would otherwise be necessary. But they do not require better roads in order to function at all. Automobiles caught on so quickly in the early years of this century, long before there were any government-built freeways to tempt people to buy them, precisely because they made for an enormous improvement in the quality and efficiency of transportation, *despite the fact that they had to travel over mostly inadequate roads.* Freeways and widened, resurfaced urban streets were a reaction to the coming of the car, not a cause of it.

And when the time came to make these improvements in our roads, the owners of automobiles paid for it through gasoline taxes, tire taxes, and other approximations of user fees. "One of the great changes that automotive transportation has brought about, at least in the United States," John Rae wrote a decade ago, "is that user taxes make the highway system self-supporting." Unfortunately, this is no longer true, though it would be if the trucking industry didn't use its political muscle to avoid paying its fair share—that is to say, the lion's share—of the cost of road maintenance. It is trucks and buses that create the need for major road maintenance in the first place. The passage of ordinary cars has almost no effect on the surface of a modern road.

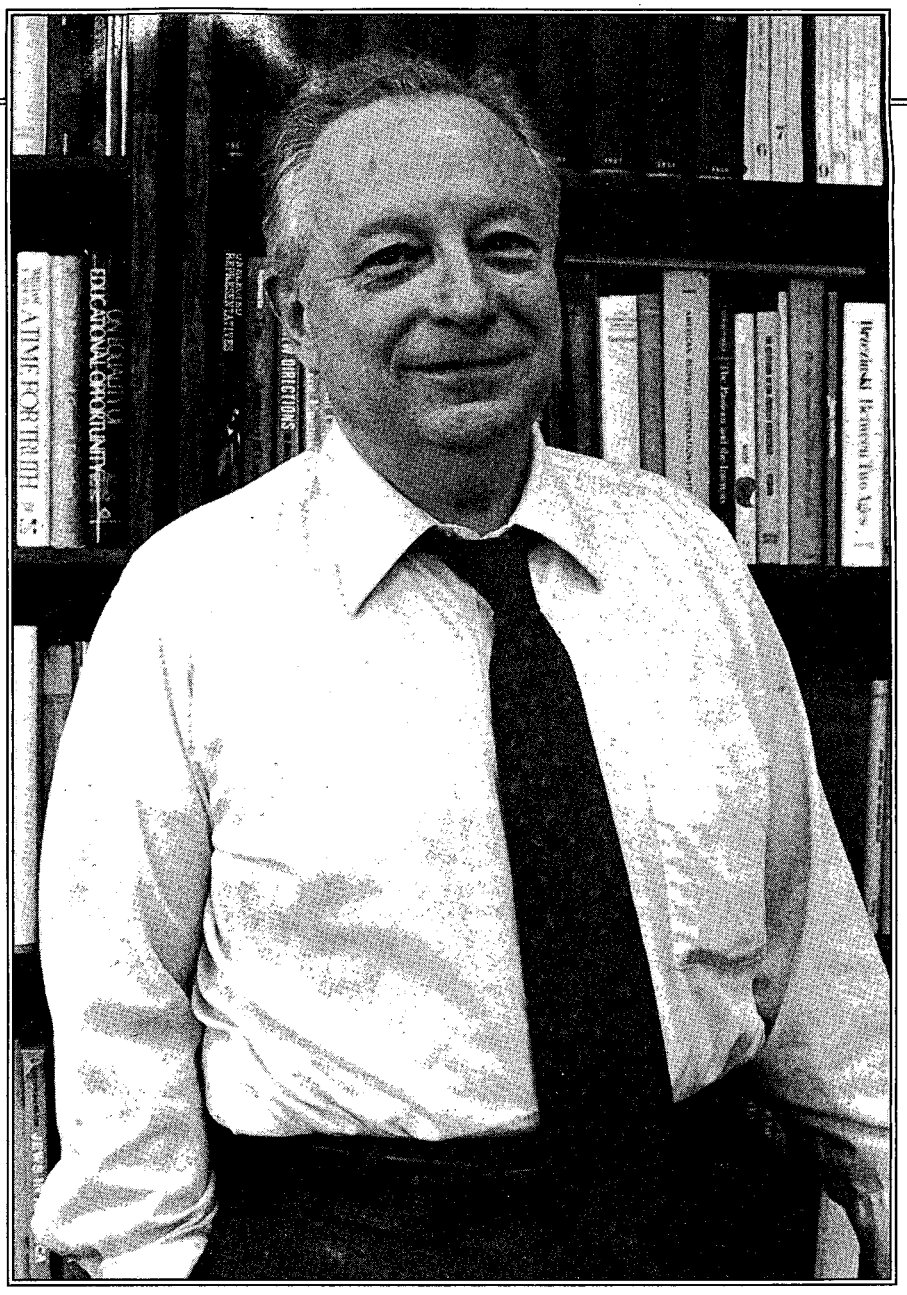
Still, there are today freeway links that have been built and maintained with public funds, that carry massive amounts of daily traffic, including trucks and buses, and that nevertheless are more than self-supporting through user fees. In the San Francisco Bay area, for example, the two busiest toll bridges, the Golden Gate and the Bay Bridge, have long since paid off the entire cost of their construction, including interest on the amounts borrowed for the projects, and continue to produce revenues so far in excess of what is needed to keep them in good repair that they can also pick up the staggering losses posted each year by the AC Transit and Golden Gate Transit and Muni bus companies and by the even more phenomenally unprofitable ferry service that connects San Francisco to suburban Marin County. *This* is the typical pattern of public policy toward the automobile and the decentralized, freeway-based city: not subsidies for automotive transport, but levies of taxes against automobiles and their drivers in order to subsidize mass-transit boondoggles that have never at any time in the past half-century been able even to pay their own costs of operation, much less earn a profit.

It is possible to cite at least one recent example of an urban freeway being built by private businessmen operating without the power of eminent domain and without government money. Such a case was reported in 1980 by this magazine, in a Trends item describing a new freeway project on the crowded west side of Houston. And it is easy to cite cases of privately built parking facilities that earn respectable profits. But where is there a case today of a privately owned and privately capitalized subway system or streetcar system? The question answers itself. Such systems are everywhere publicly funded, and they everywhere lose money—even in cities like New York, where almost everyone uses them.

Outside New York, in fact—and Philadelphia and Washington and Chicago and San Francisco—scarcely anybody uses them. Eighty-four percent of us go to work every day by car, either our own or someone else's. Another 5.5 percent of us walk to work. Only 6.3 percent of us take mass transit. Almost as many people walk as take mass transit. Walking, like driving, enables us to go where we want when we want by the route we want and in the company we want, without having to stop unless we want. Autonomy. Freedom of choice. Self-reliant individualism.

When will we acknowledge at last that these are the values that have built the car culture and crippled the old centralized city? When will we acknowledge that most Americans, given their druthers, want personal freedom, personal privacy, a little space between themselves and their neighbors, a lot of independence from centralized systems, and an opportunity to live in relatively homogeneous communities where most of the people and their houses and their lifestyles are pretty similar? When will we acknowledge that the decentralized city that looks like a cluster of suburbs with no one center is the kind of city most Americans prefer? When will we acknowledge that for cities in the automotive age, it is sprawl or die—and that this is the reason Los Angeles, Houston, and Phoenix are booming while New York, Chicago, and Atlanta are in decline? And when will we stop fighting it? When will we stop squandering our resources in a futile attempt to stop change, fight the passage of time, and preserve an obsolete mode of living that has been trying for decades to lie down and die quietly, and with dignity? R

Jeff Riggenbach lives with his wife and two children in a 78-year-old Edwardian house in downtown Oakland, California, where he participates in the decentralized urban renewal trend known as the gentrification movement and frequently rides BART—the San Francisco Bay area's fixed-rail urban transit boondoggle—though not as often as he travels by one of his two cars.



REASON INTERVIEW

Irving Kristol

Irving Kristol has been called "the godfather of the neo-conservatives," that group of mostly New York intellectuals who, coming from staunch liberalism or even socialism, have arrived at qualified support of the free market coupled with a willingness to use political institutions to promote traditional American values.

It is not difficult to see why Kristol might be affectionately referred to as the godfather. He was one of the founders in 1965 and has remained a coeditor of the Public Interest, *the neo-conservatives' semiacademic, semipopular journal. As a member of the board of contributors of the* Wall Street Journal, *he writes regularly for its editorial page. He has a long association with the Washington-based free-market-oriented American Enterprise Institute and is on the board of editors of its journal* Regulation. *As an editor at Basic Books in the '60s, he helped establish it as for many years nearly the sole publisher of scholars discussing capitalism and the workings of a free-market economy.*

Kristol earned a bachelor's degree in 1940 from the City College of New York. After serving in the army during World War II, he spent two years in England writing for the New Leader *and* Commentary. *In the ensuing years, he did stints as assistant editor of* Commentary, *a writer for* Encounter, *editor of the* Reporter, *and Basic Books editor.*

*In 1969 he was appointed the Henry Luce Professor of Urban Values at New York University. Two collections of his essays have been published—*On the Democratic Idea in America *and* Two Cheers for Capitalism.

Over the years, REASON Senior Editor Tibor Machan has followed the writings of Mr. Kristol and corresponded with him to exchange and debate ideas. In New York recently, he carried on with this in an interview for the magazine.

REASON: I have followed your writings for many years, but maybe I should start with the mundane and just ask, what is a neo-conservative?

KRISTOL: I don't think anyone can define what *a* neo-conservative is. Neo-conservatism is an intellectual impulse, and one might define it this way: There have been two traditions of conservatism in this country. One is the cultural tradition, represented by, let us say, Russell Kirk. That is, efforts to

Photographs by Roxanne Lowit

preserve essentially the Judeo-Christian tradition and bourgeois ethic and cultural and moral standards. That tradition had no connection with the economic system—sometimes it was friendly to the economic system; sometimes it was hostile. Go back to the 1920s, look at people like Irving Babbitt, Paul Elmer More, and T. S. Eliot—they were not procapitalist. The other conservative tradition involves our economic institutions and is essentially laissez-faire libertarian and market-oriented. And that tradition, strongly entrenched in the business community and among economists, had no connection with the other intellectual tradition. That is, if you ask me what is the connection between Russell Kirk and Milton Friedman, well, there is no intellectual connection. And if I were to say what neo-conservatism is as an intellectual impulse, I'd say it's an effort to link these two conservative traditions represented on the one hand by Edmund Burke, on the other by Adam Smith—who, as it happened, were very good friends and said they admired each other's work; so apparently some synthesis is possible. But that synthesis was so precarious in its origins, in the first two decades of its existence, that by the year 1800 it had practically dissolved.

REASON: Well, in your own writing it is evident that there is some tension between these two sorts of conservatisms if you respect both of them. For example, you've said that there is nothing about deregulation that one can endorse in principle, so in this respect you probably come closer to the Russell Kirk tradition.

KRISTOL: No, I wander on this. I think all neo-conservatives do—all people do. But what is involved intellectually is an effort to say, okay, how do we link these two traditions? And that's what Mike Novak is trying to do in the area of religion and theology.

REASON: When did you find yourself changing from a left-oriented intellectual to someone who's more of a neo-conservative, takes the market more seriously?

KRISTOL: As far as economics went, that began in the 1960s. But I really ceased being a socialist in the 1940s, and I was never all that orthodox a liberal. I was called a revisionist liberal, but I was not interested in economics, really, until the 1960s.

REASON: Sidney Hook was in the same boat, in a way.

KRISTOL: Yes, right, except he never got interested in economics.

REASON: Now, I take it that neo-conservatives hold out for the welfare state as a compassionate part of the social system or something like that. Is that accurate?

KRISTOL: I think most neo-conservatives would say that some kind of welfare state is an inevitable and appropriate response to the conditions of modern industrial or postindustrial, highly urbanized society.

REASON: Doesn't that usher in, though—maybe in embryonic form, but it does usher in—so many of the problems that we find with socialist calculations and with central planning?

KRISTOL: I would make a very sharp distinction between a welfare state and a planned economy. Neo-conservatism has nothing to say in favor of a planned economy or economic planning.

REASON: But you have to plan things like distribution of wealth.

KRISTOL: No you don't, no you don't. The welfare state need not be involved in planning distribution of wealth. Everything depends on what your original intention is with regard to a welfare state. If you really regard the welfare state as a safety net, literally that, then the question of redistribution is incidental. In constructing the welfare state, you probably will have some redistribution, but it need not be very much, and you would not in any case be much interested in that as a goal, certainly.

REASON: Would you say that something like the regulatory apparatus that is well-known to us all—and especially to you, since you're involved with a magazine called *Regulation*—is part of that neo-conservative welfare state or is not connected with it at all?

KRISTOL: No, I think the regulatory—well, the Clean Air Act is another matter—but certain areas of regulation with drugs, chemicals, toxic wastes, would have come about and do come about regardless of what kind of a government you have and what kind of ideology.

REASON: Let's talk about another area, which I call the spiritual welfare state, and not the economic welfare state. You are instrumental in forging some rather controversial ideas having to do with pornography and obscenity and so on. Recently you had a review in the *New Republic* in which you took some pains to distinguish your views from some of the militant feminists who are now coming around and perhaps advocating a form of censorship. What is your attitude about censorship in a presumably free society?

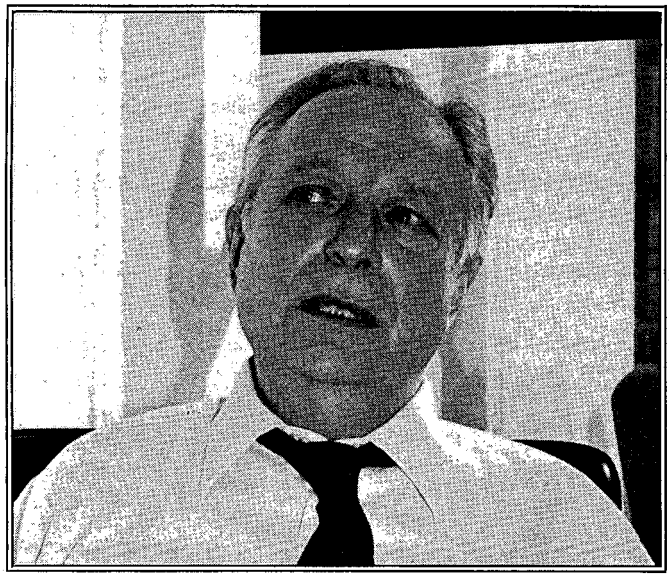
KRISTOL: I have no problem with censorship at all. I'm for it. I wrote an article in the *New York Times Magazine* on pornography—it must have been 15 years ago—and said I'm for censorship. I think that in a civilized society you have censorship.

REASON: By imposing certain standards of thought and expression and publication on people, might you not actually thwart their capacity to excel in these areas and sort of preempt their moral life in some ways? If the publisher of *Hustler* is an evil person, he's evil in his own account if he is evil in a free market of ideas, but if you don't allow him to be evil, then his soul is not even up for test, so to speak.

KRISTOL: But I believe there is such a thing as public morality, and I think one of the functions of any society is to preserve public morality. I have no interest in Larry Flynt finding expression for his soul any more than I had an interest in the Marquis de Sade finding expression for his soul. Now, I am, as I said in my original article, for decentralized censorship, because I think that does permit new developments. Obviously, public morality evolves, it changes; and if you have decentralized censorship at a city and local level, rather than the national level, then it's possible for new ideas to filter through and if they're any good—or even if they're not good but have sufficient popular support—to survive. But I have no problem with interfering in what you call the free market of ideas, because the idea of the free market of ideas was always originally limited to politics. That was the Founding Fathers' views. I'm simply enunciating a very traditional view on these matters—yes, obviously, you want a free market in political ideas, and you want a free market in academic ideas, but that you want a free market in all ideas in the public realm, no.

REASON: Isn't it the case that if the likelihood of viciousness and indecency is so pressing in a culture that censorship comes up as an idea, it is already a lost cause? People have to select the people to do the censoring, and won't they, especially in a democracy, in some sense reflect the souls of the very people who are to be censored? Why not encourage good men and women to write good works and do the battle in that way,

"It is impossible to conceive of any system in which political people don't interfere with economic activity. And in my view that's just as well."



"I have no problem with censorship at all. I'm for it. I think that in a civilized society you have censorship."

instead of trying to suppress bad works with people who might themselves be tainted?

KRISTOL: First, you talk as if censorship—and so many people talk as if censorship—is some kind of new, untried, dangerous experiment. We lived under censorship in this country ever since its founding. Up until 15 years ago, censorship was normal. If you look at the history of the United States, the history of the American republic, I am not aware that there were enormous difficulties of any kind, concerning freedom of thought for creativity, created by censorship. The difficulties one ran into were quite trivial.

Second, it's not the case that censorship simply represents, is simply a mirror image of, what people want. Censorship reflects, or should reflect, what people think they ought to want. And people want to be protected against their own impulses. I think it is legitimate for people to be protected against their own impulses. After all, at the political level, our whole constitutional system is a mechanism for protecting people against their own impulses, so that deliberated decisions prevail over impulsive ones.

REASON: So, essentially the model that, say, a purist libertarian would put forth to you is just an unrealistic model from which one can't deduce any workable public policy concerning at least this issue but probably others too? Generally, what do you think of models? Plato's Republic is regarded as a model, and in a way, a constitutional democracy is a model. Do you think the libertarian model whereby government is limited to protecting fundamental rights is a defective model and there's a better one? Or do you think it's a good one but shouldn't be taken too seriously?

KRISTOL: First of all let me say that models, whether in politics or economics, are very useful pedagogical devices, but they are not blueprints for any kind of society. Plato's Republic was not, and I don't believe it was even so intended, nor was More's Utopia. They are devices whereby in political philosophy you think through issues. Similarly, in economics models are useful for thinking through certain issues in economic theory, but they are not necessarily terribly useful as guides to economic policy.

REASON: Now if we compare these models, granted their limited application, which is the model that you would give honor to and uphold as something worth fighting for?

KRISTOL: My model is the traditional American republic, which I think has been a very good, very successful, republic.

REASON: Some of its parts I think are open to question. I myself am very disturbed about the notion of Congress regulating commerce. I think that power has been used in a way it wasn't intended to be used. And I'm wondering which way you would go...

KRISTOL: It is impossible to conceive of any system ever existing in which political people don't interfere with economic activity. I think even Adam Smith was well aware of that. It's just not going to happen, and in my view it's just as well that it won't happen.

REASON: Since we're talking about public policy, what is your general assessment of how President Reagan is doing, both domestically and in foreign policy?

KRISTOL: The foreign is easy to answer. I think he's doing very badly, on all specifics. After all, one expected Ronald Reagan to have a coherent foreign policy of a kind that he has been enunciating for 20 years, and instead one finds essentially a continuation of the foreign policy of the last three administrations.

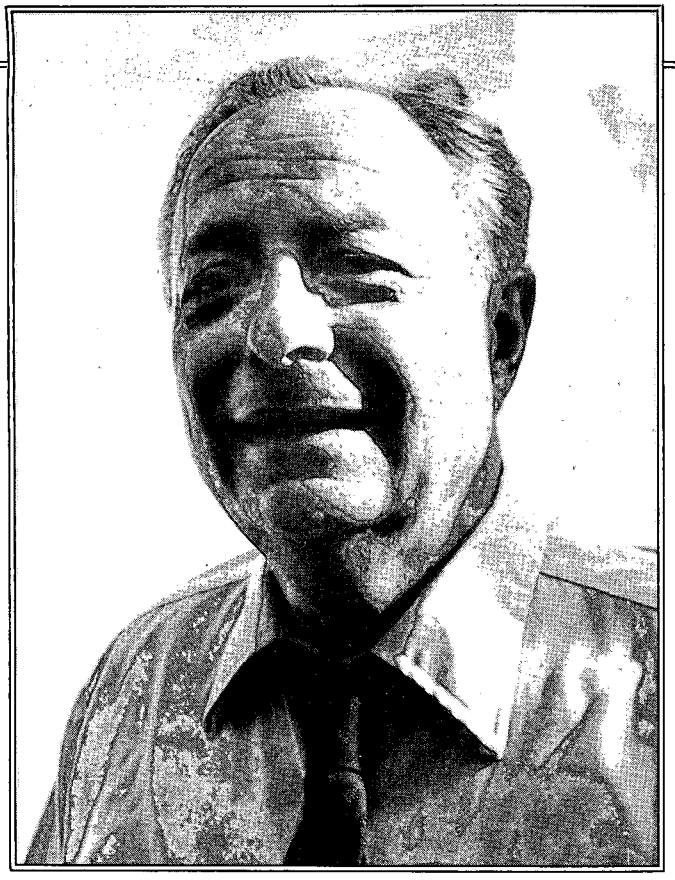
REASON: Do you have a turning point where you could imagine that he would have done one thing but in fact just fell back to previous policies?

KRISTOL: There are several such turning points. One was El Salvador. He should have mobilized American opinion behind the proposition that we would not tolerate a Communist government in El Salvador and we would do whatever is necessary to stop it.

REASON: If the US government should have intervened in El Salvador, why is it that it is thought to be objectionable then for the Soviet Union to act in certain ways in Afghanistan and Poland and Hungary and Czechoslovakia?

KRISTOL: Well, first of all, to say that there are certain morphological similarities in foreign policy between great powers, however different at any time—it's true, but irrelevant. Of course all great powers have certain structural similarities in the way they act, but it all depends on what the great power is, what its ultimate intentions are. Moreover, I think there are some very significant practical differences between the Soviet Union in, say, Eastern Europe and the United States in El Salvador. The United States, after all, is not trying to replicate the American system in El Salvador. We don't really give a damn what kind of economic system they have in El Salvador. What we do care about is that it not be a nation in effect allied with the Soviet Union, as Cuba is and as Nicaragua will surely be. That, I think, is a legitimate concern of a great power.

REASON: Suppose that by some chance—and I don't imagine this is ever going to be true—but something like El Salvador really goes Communist in a kind of a perverse democratic way. In other words, people get caught up with this idea, maybe through misrepresentation, maybe through delusion or whatever, and they just want to be Communist and



"As one of the original so-called supply siders, I am willing to face the possibility that the original tax cut was too big."

want to be allied with the Soviet Union. What do we do then? Do we not allow it?

KRISTOL: That would be a very, very tough issue for us to face. Fortunately, we'll never have to face it, since people on the whole do not make any voluntary transitions to a Communist totalitarian state.

REASON: Is Reagan's domestic agenda going to be something he can carry out?

KRISTOL: Well, as you know, there's a tremendous debate going on about economic policy. My own view is that the Federal Reserve has been overly tight with the money supply. Here I take issue with Milton Friedman and all my monetarist friends—I think the Fed has been much too tight. However, let me say this. As one of the original so-called supply siders, I am willing to face the possibility that the original tax cut was too big. It was certainly larger than the president asked for, much larger.

REASON: But it wasn't even really a cut—it was a decrease in the rate of increase.

KRISTOL: If the rate of inflation goes down as far as it looks as if it might, it turns out to be a very real tax cut. But, obviously, it would be more desirable to cut government social expenditures.

REASON: Is the current ethos in the culture going to make that possible?

KRISTOL: It's not the ethos; the ethos in the culture is changing. But you have powerful interest groups committed to whole areas of social expenditure and you have the media committed to it. And it's also true that the administration has not been good at articulating its arguments in favor of cutting these expenditures. That's not surprising at all. Republican administrations are always tongue-tied. Reagan's a great communicator in the general sense, but when you want to argue student cuts or when you want to argue food stamps, you need sharp people. David Stockman's tragedy was a loss to us all, because he was very good at that. He could really explain, first, that the cuts weren't as big as they looked, second, that the proportion of poor people that are really going to be hurt is very tiny, and third, that if you don't make the cuts, where you will be five years from now is insupportable. So, Dave was a great loss, and this administration doesn't have many such people who are articulate. Look, it's a Republican administration, which means it doesn't have, or doesn't have very many, intellectually nimble, intellectually active types. That's the nature of Republican administrations.

REASON: What do you think is going to happen in 1984? Are they going to be able to come back with a new show?

KRISTOL: Come back with what? I do think that Ronald Reagan has made some basic changes in the United States that will powerfully affect the shape of politics for many years to come, regardless of who wins the elections in '82 or '84. For instance, the Democrats are going to come in with what kind of agenda, if they come in? They will have budgetary constraints. What Reagan has done through these tax cuts is put government expenditures in a kind of straight jacket. You can wiggle around, but they're not going to be able to come in with new expensive programs. They will therefore look for changes, reforms that do not cost money.

REASON: That's when the socialists become fascists—start abandoning democracy.

KRISTOL: Yes, I think they will move in that direction.

REASON: Why is it that the intellectual left is so hell-bent on believing that it's more important to make it difficult for the rich than to actually make it better for the poor?

KRISTOL: You're asking, Why does the intellectual left exist in the first place? We know why it exists. I've written about that, others have written about that. The intellectuals in societies such as ours—certain intellectuals, anyhow—feel deprived of the status and the power that they think they are entitled to, and that is why they move toward at least some form of collectivism.

REASON: You wrote a book of essays once called *Two Cheers for Capitalism*, which includes two eloquent and challenging pieces, both having to do roughly with the limits of a free market. One is "When Virtue Loses All Her Loveliness"; the other one, "Capitalism, Socialism, and Nihilism." In both of these pieces you take it that libertarians are amoral, that they have no concern for morality.

KRISTOL: I certainly never accused libertarians of being individually amoral, although...

REASON: No, but that somehow they have a lack of concern for standards of human conduct.

KRISTOL: But if you have standards, moral standards, you have to want to make them prevail, and at the very least you have to argue in their favor. Now, show me where libertarians have argued in some comprehensive way for a set of moral standards.

REASON: Not *as* libertarians. When libertarians are talking liberty, they are talking a certain realm of the entire cultural structure—they're talking about the legal and the political

realm. Libertarians tend to say: Look, at least let us talk a little bit about freedom, and then if you want to know something about how I should conduct myself once I'm free, I have arguments, I have my ethics, and it's not arbitrary.

KRISTOL: I don't think morality can be decided on the private level. I think you need public guidance and public support for a moral consensus. The average person has to know instinctively, without thinking too much about it, how he should raise his children.

REASON: But even there, there's a difference between *social* and *public.* There can be the culture, which through art, through education, through religion, through the neighborhood and friendship and so on, reinforces and encourages and supports morality. Or there can be the politicians who try to do it, and this is what libertarians...

KRISTOL: But *politicians* is the wrong term. At the local school board level it's not the politicians—it's parents very often who are doing it. But I really think it is utopian to expect to have the kind of moral consensus—not moral unanimity, but moral consensus—that any society needs simply through persuasion, because most people are not interested in even getting into that level of ideological argument. They want to inherit their beliefs.

REASON: I'm suggesting a little more sophisticated approach than persuasion—exemplification and peer interaction and showing that living a certain life is a more noble thing to do than living another kind.

KRISTOL: Yes, but for that you need not only exemplification but an articulated exemplification. I'm not aware that libertarians are doing what you say they could be doing. I'm aware of some of the philosophical writings, including your own, but in terms of moral philosophy, I'm not aware of any systematic writing on these matters, like education, sex—the key issues, which parents want to know about. The basic fact about morality at a social level is that it's something that you want to see transmitted from generation to generation without too much turbulence, and for that you need some public institutionalization of that morality through local censorship, through some general attitude of the government toward religion.

REASON: You see, the way I would put it is that you need it through the local theater group, through the local churches, through the local schools.

KRISTOL: I think that's fine, but I think that's not enough. If we could get where I assume you and I both want to get through your way, I'd be delighted. But I don't think we can.

REASON: Probably because we don't precisely want to get the same thing, and that comes out in your essay "When Virtue Loses All Her Loveliness." I think that you have a view of morality that is more oriented toward mortification and sacrifice and sticking out a bad life than the morality I have in mind. I'm more Hellenic in this respect, and I think libertarians tend to be more Hellenic—they view morality in terms of a life of excellence, a life of achievement, a life of ambition and accomplishment, and so they can promise something with morality besides just negative rules.

KRISTOL: Well, I'm not Kantian in my morality. I'm very Jewish in morality, and the Jewish tradition has never been all that self-sacrificial. The assumption among Jews is that the moral life leads to the happy life.

REASON: Then I'm surprised, because, unless you have a view of human beings that really tilts them toward evil, like original sin or something, why not be hopeful and try to just promulgate this morality?

KRISTOL: Because I don't have that view of human beings, that's all. ◻

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VIEWPOINT

The World in Arrears

BY JAMES DALE DAVIDSON

The long shadow of insolvency is hanging over world financial markets. It appears likely that 22 nations, which owe American banks alone more than $52 billion, won't have the cash by the end of 1982 to pay their debts. In 1983, the problem will be worse. And worse still in 1984.

The question is, What is to be done? Judging by reports from the recent meeting of the International Monetary Fund, that question at present takes only one form: "How much money should be given by the taxpayers of the rich nations to the IMF so that it can grant subsidized loans to the poor countries so that they, in turn, can repay commercial banks that have for years been pressing high-cost credit on the Third World?"

It is a measure of our sorry predicament that most taxpayers, who are the unwitting cosigners for this mountain of bad debt, have given almost no thought to the pending bailout. The same is true of members of Congress. Usually quick to take offense at any real or imagined usurpation of their policy prerogatives, they don't seem to have noticed that they have forfeited to a few large commercial banks de facto control over foreign aid and much of foreign policy.

President Reagan has been praised for helping to pour $2.9 billion into Mexico (while turning his back upon the expropriation of $12 billion in nonbank American assets) and chided for his reluctance to immediately raise the bailout by a factor of 10 by approving a geometric boost in the IMF quota and a variety of other cash transfers to bankrupt countries. By the time the IMF Interim Committee meets in April, it is widely assumed the US government will be ready to join other nations in approving tens of billions of taxpayer dollars to be shuffled between the insolvent governments and the banks. Instead of giving in to the pressure for bailouts, Mr. Reagan should realize what is really at stake: world economic recovery and the credibility of anti-inflation programs in the industrial nations.

For more than a decade, there has been an orgy of reckless international lending. At a time when American industry has been starved for capital, our largest banks have been shoveling cash into practically every mercantilist and state socialist enterprise in the world from Poland to Togo.

The banks were willing to lend large sums, usually for projects that made little economic sense, because they believed, and correctly until now, that they could capture higher-than-ordinary interest income by financing risky loans—without bearing the costs when loans went bad. Either tax money would be sent to

replenish the treasuries of the bankrupt governments, or they would be bailed out indirectly through more inflation.

What has happened, in effect, is that the banks have brokered a gigantic "short" position against the US dollar, a speculation against the future that can only be validated by inflation at ever-higher levels. But as inflation has slowed, the problems have set in. During the inflationary Carter years, rescheduling by underdeveloped countries averaged only a little over $3 billion annually. In 1981, 14 countries were obliged to reschedule a total of $10.7 billion. For 1982, it appears likely that at least 22 countries will have failed to pay a substantial portion of the $140 billion due.

In 1980 the Federal Reserve System obtained the legal authority to monetize the debts of other countries by buying foreign government bonds or obligations guaranteed by foreign governments. More than $2 billion in Federal Reserve Notes were issued upon such collateral in 1982, including some backed by Italian lira bonds. Since early September, the Fed's collection of foreign paper has included $300 million in freshly printed Mexican pesos. Now that the Mexican banks have been nationalized, their obligations, too, could be monetized by our central bank.

The mechanism is in place for a worldwide inflation of unprecedented proportions. If we do nothing and allow the debt problem in the underdeveloped countries to become a crisis in our banking system, it may become practically impossible to find a happy solution. If the choice is narrowed to one of two alternatives—printing money at whatever rate necessary to preserve the entire world's debt structure or falling into a deflationary collapse—the government will print money.

For all the legitimate criticism raised against the old system of anchoring monetary values in gold, it did successfully restrain the creation of debt and excess liquidity. In the 11 years since Richard Nixon repudiated the last link to gold, Euromarket debt has exploded from $83 billion to about $2 trillion.

This unsound leveraging of the monetary system has shortened the investment horizon. Not only has it made inflation more likely, it has also made the threat of any contraction more costly. As the leverage has increased, even a small possibility of runaway inflation or deflation has come to weigh heavily upon investors.

Instead of making a bad situation worse by trying to pay every overdue bill that has piled up from Patagonia to Phu Bai, we should use the present crisis as an opening for real reform. Congress and the president should find the cheapest and least inflationary method of patching up the American banks, then go to work for a long-overdue overhaul of the entire world monetary system.

Jim Davidson is founder and chairman of the National Taxpayers Union and author of The Squeeze.

Illustration by Susan Sallade

Year of Betrayal

BY TIMOTHY CONDON

It's been over three months now since the mislabeled "biggest tax hike in history" was passed, rammed through by President Reagan, Sen. Robert Dole, and every big-spending politician in Congress. But the $98.3-billion tax increase wasn't the biggest in history. It was merely the *second*-largest.

Even now, the whole fantasy-land happening boggles the mind. Here we have a president who went up against the massed opposition of the dominant welfare-statist ethic in America, the national media, the majority political party. . . and whipped them all! He did it by campaigning upon explicit promises of reduced taxation and reduced government interference in our lives. Then, after epochal battles to get bills passed that merely *slowed increases* in taxes and spending, he fights all-out to get a vicious monstrosity of a tax *hike* passed—which additionally guts some of the most important reforms in the original tax *cut* and which virtually unleashes the IRS in the fight against the American taxpayer.

And get this: to do it all, this man who was elected with his promises goes on national television days before the congressional vote and appeals to the American people upon the precise same basis that statists, socialists, and collectivists of all stripes have *always* appealed for more taxation and less freedom: envy, jealousy, greed, covetousness. In his nationally televised address, Reagan asked that taxes be raised against "those who are not paying their fair share" (as if the obscene tax load Americans now bear can in *any* sense be called fair). He called for "closing off special-interest loopholes" (as if he were not arguing for enrichment of the largest, most vicious, most all-encompassing "special interest" of all, the government *itself*). He argued: "Simple fairness says that we should collect from those who are freeloading" (as if every single human being who is a tax *consumer* and *lives* off of government payments is not a freeloader).

This is insanity. Reagan, in effect, has abandoned "Reaganomics." "This is not the same man we elected," said University of Southern California supply-side theorist Arthur Laffer. "This tax package is obnoxious."

The tax bill penalizes people with high medical bills and medical insurance (the 3 percent threshold is raised to 5 percent, and the $150 maximum insurance premium deduction is abolished), people with uninsured casualty losses (now you can only take as a deduction that amount which exceeds 10 percent of your gross income), people who smoke (federal cigarette tax doubled), people who use telephones (federal tax tripled), people who receive interest or dividend income (financial institutions and corporations now must generally withhold 10 percent of such payments), people who fly in airplanes (federal excise tax up 60 percent, a new international-flight tax, a new air-freight tax, a new noncommercial jet fuel tax, a tripled noncommercial aviation fuel tax), people who *pay* unemployment benefits (the employer tax is increased), people who *receive* unemployment (more of it will now be taxable), people who wisely plan their tax situation (the special "minimum tax" for those who normally wouldn't have to pay is expanded), people who have corporate retirement plans (some advantages are lost for professionals), etc., etc., etc. Most of all, taxpayers in general are victimized by the new bill: tremendous new weapons have been given to the IRS (mostly, greatly increased fines that can be levied) in an effort to smash the expanding subterranean economy.

Through the whole litany, the question keeps recurring: *Why?* When Reagan and the supply-siders were *winning*, how could they possibly have resorted to *this*? The "inside" reason for Reagan's betrayal of the taxpayer is that "revenue enhancement" would be a necessary compromise with the Big Spenders in order to gain additional cuts in 1983. Reagan apparently bought that line, hook and sinker, but sought to stay *technically* with supply-side theory by not disturbing *marginal* tax rates (that is, the highest tax rate you pay for each additional dollar earned, which is still a whopping 50 percent).

Do you have a tax question? Mr. Condon may have the answer. Send your query along to REASON Taxes, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

The very essence of supply-side theory says that when people are taxed too much, they will stop producing, stop working. Thus Reagan's eagerness to leave marginal tax rates alone. What he fails to understand is that *all* taxes *must* eventually be paid by individuals. That is the *only* place the final impact will be felt, because taxes are merely another cost of doing business for private commercial enterprises, a cost for which prices are adjusted, whether the enterprise is a corner restaurant or General Motors. The result is that *any* and *all* taxes further impoverish society, further slow the natural individual desire to produce and be rewarded for it. In the meantime, oppressive, antiproductive government gets fatter and fatter, the wheels of industry and productivity grow even more sluggish, the incredible bread machine grinds closer to an eventual halt.

Are there any winners in this whole scandalous affair, other than those who have always lived on the backs of the taxpayers? Oddly enough, perhaps the Libertarian Party will profit most of all. Many libertarians felt it necessary to vote for Reagan in 1980, both for his tax and government-cutting promises and to help save the country from Carter and the Democrats. I doubt there will be any question about that in 1984.

Similarly, it may be that supply-side economic theory will be saved—in the public's eye—for another administration (like Jack Kemp's, in 1988, after the Democrats win in 1984). After this, only drooling morons are going to argue that "supply-side economics has been tried, and it didn't work." On the contrary, the doctrine was abandoned by Reagan before it was even fully in place, much less "tried."

I wrote that "cautious optimism" was in order on the eve of Reagan's proposed tax cuts. They now mean nothing: a mere decrease in the rate of *increase* in taxes has now been wiped out by the second-biggest tax hike in history. I can only thank whatever gods may be that in 1980, when faced with the choice of voting for Republican Ronald Reagan or Libertarian Ed Clark, I voted for Clark.

Tim Condon is an attorney and a tax specialist practicing in Florida.

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Pollution Eye Opener

BY DURK PEARSON AND SANDY SHAW

One fascinating thing about science is that you are sometimes confronted with surprises—data that don't fit earlier thinking or that even appear to contradict what you think you already know. Consider, for example, these recent findings about radiation and pollution:

- The average lifespans of rats were increased when they were continually exposed to levels of radiation about three times normal background. (At higher levels, average lifespans are decreased.)
- There was no detectable increase in genetic defects or cancer levels in multigeneration studies of rats exposed to radiation at levels about three times normal background.
- In one region of China (as recently reported in *Science*), the population lives at a level of natural background radiation three times that of populations in surrounding areas. No significant difference in cancer rates or birth defects has been found in this large-scale study.
- Which city do you think has the highest cancer rate? Birmingham, Alabama; Pittsburgh, Pennsylvania; Newark, New Jersey; Los Angeles, California; or San Francisco, California? Curiously, the city with the lowest level of air pollution by far—San Francisco—has the highest cancer incidence, adjusted for the population's age distribution. Newark, New Jersey, which 20 miles downwind still smells like an oil refinery, has the same incidence of cancer as the United States as a whole.

These are data that do not fit the popular media theories of radiation and pollution effects—namely, that every level of radiation is unsafe and causes cancer and that we have to control air pollution because it causes cancer. But these seemingly confusing results do fit into an emerging understanding of the interaction between living organisms and radiation and other pollutants.

Damage from ionizing radiation such as x-rays is an example of a free-radical disease. Radiation kills by creating free radicals—molecules or atoms with an unpaired electron, which are extremely chemically reactive and dangerous. These free radicals are mutagens (cause mutations) and carcinogens (cause cancer) when they damage DNA. They attack fats in the body, causing them to become peroxidized (rancid) fat. Besides being mutagens, carcinogens, atherogens (atherosclerosis-causing), thrombogens (clot-promoting), and immune suppressants, peroxidized fats can break down to form more free radicals, causing a chain reaction of further damage.

But external radiation is not usually an important source of free-radical damage to organisms. Free-radical reactions are a necessary part of normal metabolism. For example, the manufacture of ATP (the universal energy storage molecule) requires free-radical reactions. Thus, free radicals are constantly created in the body and, as suggested by Dr. Denham Harman (the originator of the free-radical theory of aging), can be considered internal radiation. In fact, all air-breathing organisms on this planet have elaborate defense and control systems for free radicals.

The body's free-radical control systems are not perfect, however, and damage occurs throughout life. Free radicals are now considered by scientists studying them to be major causative factors in aging, cardiovascular disease, cancer, arthritis, immune-system incompetence, and other less serious conditions including bruises and even dandruff. Our sophisticated free-radical control system includes special antioxidant enzymes such as superoxide dismutase (SOD), glutathione peroxidase, catalase, compounds such as reduced glutathione, and antioxidant nutrients such as vitamins A, C, E, B-1, B-3, B-5, B-6, PABA, the amino acid cysteine, and the minerals zinc and selenium.

One important feature of the antioxidant enzymes is that they are substrate-inducible. That means that when there are more free radicals in your body, these enzymes are manufactured in greater quantities. Thus, when radiation levels are increased (up to the limit of inducibility), more protective enzymes are produced. The maximum lifespan of individuals of several mammalian species is directly proportional to their concentrations of SOD and glutathione peroxidase divided by the level of metabolic free-radical-generating activity. The research findings mentioned above probably reflect a lifespan-increasing effect of that increase in the levels of protective enzymes. In other words, zero radiation may not be optimal from the point of view of longevity.

The principal eye irritants in the type of photochemical smog found in Los Angeles are organic peroxides called PAN (peroxyacetylnitrile and peroxyacetylnitrate). Again, the increase in pollutants increases production of protective enzymes. You've probably noticed that when you are first exposed to a heavy smog, your eyes burn and your lungs feel uncomfortable. But after you've been in heavy smog for a few days or so, the smog no longer produces these physical symptoms. This is *not* a result of your "getting used" to the smog or becoming insensitive to the discomfort. It is caused by an increased production of glutathione peroxidase (detectable in one's tears) which destroys the PAN. Other protective enzymes may be involved as well. Ozone, a principal damaging chemical found in air pollution, also causes the creation of free radicals as its primary method of damaging lungs. This probably leads to the increased production of protective enzymes in the lungs.

In addition, it was reported very recently in *Science* that ozone in the concentration range of ordinary to severe smog (0.3 to 0.8 ppm) is more toxic to cancer cells than it is to normal cells. It may be protecting some people against the development of lung cancer. This remarkable finding brings up the question whether, aside from aesthetic considerations, it is truly advisable to eliminate all air pollution!

In our opinion, studies of pollution should consider the relative biological effects of (1) potentially "desirable" pollutants that have relatively low damage potential but are inducers of protective enzymes, (2) pollutants that have a relatively high damage potential but induce protective enzymes, and (3) particularly dangerous damaging pollutants that are relatively ineffective at inducing protective enzymes. All pollutants are *not* equally undesirable.

A list of scientific literature on this topic is available through REASON. Send a stamped, self-addressed envelope and ask for H&W references, January.

Durk Pearson and Sandy Shaw are consulting scientists and authors of Life Extension.

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Enterprising Economist

BY PATRICK COX

Stuart Butler introduced the concept of the enterprise zone to the United States in a paper for the Heritage Foundation in 1979. The idea of setting up areas in decaying inner cities as "free zones" with greatly reduced government regulation and taxes had been bandied about for a year or so in Great Britain. Butler made the idea available to Rep. Jack Kemp (R-N.Y.) and the others who have since pushed for "mini Hong Kongs" inside American cities to revitalize the areas and show what unrestricted free enterprise makes possible.

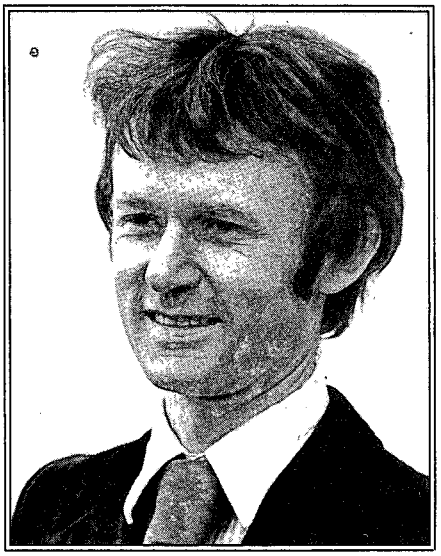
Butler says his "classical liberalism" was an intellectual awakening that happened mostly "while at university." The university was St. Andrews on the east coast of Scotland, about 15 miles from the home of Adam Smith. Butler fell in with and became one of the leaders of a group of free marketeers called the Conservative Association. "It was at that time," Butler says, "that I moved from being a foggy conservative without thinking much about things to much more libertarian positions, which I have since modified toward getting action on particular issues because I am much more interested in winning battles than going down with a perfect 100 percent score."

The St. Andrews group has been credited with introducing the works of free-market economists F. A. Hayek, Milton Friedman, and P. T. Bauer to the English conservative student movement and hence to the British political movement. They imported American fiction by Ayn Rand, Robert Heinlein, and other individualist writers and even created the Adam Smith tie that is worn so widely today.

The group used a colorful variety of leftist-style political tactics to outflank the left. An underground paper aimed barbs at the leftist student government at St. Andrews and was so successful that it spread to other universities in Great Britain. They attracted media attention by showing up at demonstrations in St. Andrews's traditional bright-red gowns. In full regalia, they would picket a factory where unionization had been forced on all workers or steal the show at a leftist rally for increased government benefits to students.

Much of the influence on the English Conservative Party and the Thatcher administration can be traced back to that student group operating in the late '60s and early '70s. Members have since become leaders in many areas of England.

Butler received his first degree in physics and mathematics, his masters in history and economics, and his doctorate in American economic history. He taught



STUART BUTLER

for a year at Swinton Conservative College but was discouraged by the loss of the Conservative government the year before, in 1974. In 1975 he emigrated to the United States with his brother, Eamonn Butler, and Madsen Pirie to teach at Hillsdale College in Michigan. "But it was only about six months," Butler says, "before we started planning another attack on the British government. We created the Adam Smith Institute, which was registered both in the United States and England. Like the British leaving Dunkirk, we retreated and consolidated, and now we are reinvading."

The Adam Smith Institute has been responsible for pioneering the privatization issue in England. Butler says that the British have been more successful in wresting functions from the government bureaucrats because "the condition there is so much worse." With Eamonn Butler in charge of the institute in England, there is a Butler on both sides of the Atlantic, which has facilitated the flow of information in both directions. Though the concept of enterprise zones came from England, Stuart says, "Our links with organizations in the United States, in particular with REASON and the kinds of things discussed in REASON, has been at the heart of a lot of the discussion in England."

Butler's book, *Enterprise Zones: Greenlining the Inner City*, has been out in America since 1981 but has just been published in England. The inner city has long been a focus of Butler's interest. "The inner-city areas are full of people who have been totally disillusioned by big government," he says. "Liberals have poured money into the inner cities and torn down whole neighborhoods, bulldozing them for renewal. People aren't stupid; they've seen what happens. But they have turned toward radical centralized solutions because the only people who have gone in to talk to them are people who blame capitalism and say they've got to demand more grant money. I have found a tremendous belief in capitalism, but there are very few people who are willing to go in and tell them how to do it."

Butler worked on enterprise zones and other projects for the Heritage Foundation for three years after leaving Hillsdale College. He left to assist the start-up of the National Center for Neighborhood Enterprise, which works with inner-city groups, and has now returned to Heritage as director of domestic policy studies. He remains an adjunct researcher at NCNE and recently joined the advisory board of the Reason Foundation.

"You don't need 51 percent of the voters to change the world," Butler advises individualists. "I learned very, very well how the left operates and the nature of getting change in a political system. A group of people, not in the majority, can get their views debated and implemented even though they're not in the majority. I think in those terms." Butler goes on to say, "One sees in Europe how a minority has dominated the political scene. I've used what I learned there to affect change here."

Patrick Cox is a free-lance writer.

arts & letters

MOVIES

Reviewed by John Hospers

First Blood

A Vietnam veteran hitchhikes to the Pacific Northwest to see one of his few surviving war comrades; it turns out that the man has died (the death is attributed to Agent Orange, though it's not clear how the deduction was made). On the way out of town he is mistaken for a hippie by the local police chief, who orders him out of town. The veteran sees no reason why he should go, not having harmed anyone. The policeman then charges him with vagrancy. He is beaten up in police headquarters; he escapes; and the remainder of *First Blood* is an extended hunt-and-chase, as the seasoned veteran, trained to live off the land and construct defensive weapons out of whatever is available, is pitted in a deadly struggle against recapture by increasing hordes of searchers deputized by the vindictive police chief.

Sylvester Stallone, always better at self-expression through gesture and motion than through words, does so in spades in this film; he is almost totally inarticulate. His performance as the loner who is still not attuned to civilian life is convincing enough, especially with the aid of flashbacks (when he is being imprisoned by the local cops, there are flashbacks to his imprisonment in an underground cell in Vietnam, and so on).

There are several flaws in this picture, however. (1) It is hard to believe that for the simple charge of vagrancy, American policemen would beat up a prisoner, cut him up, hose him with cold water, and use other forms of torture. They are depicted as such ruthless villains that the Gestapo was almost merciful by comparison. (2) Stallone's commander in Vietnam (Richard Crenna) suddenly appears on the scene—one does not know why or from where. He is presumably there to give verbal articulation to Stallone's side of the conflict, but his presence in the film is a strained tour de force. (3) The film, taken from a 1972 book, seems dated. Vietnam veterans are being reinstated in public opinion, and to hear them condemned as torturers and child-killers seems now, 10 years later, almost quaint.

Perhaps none of this matters much. The film is an old-fashioned chase movie with the Vietnam theme thrown in to make this one seem different from its predecessors. We have here a celebration of the lone individual pitted against the collective armed might of the state. The feeling aroused in the audience becomes so strong that even when the hero engages in killings and mutilations the audience's sympathy remains with him. After all, they asked for the struggle, he didn't; they were the ones to draw first blood.

Sylvester Stallone, a former Green Beret, in First Blood

Whether all this blood was really necessary is something the film never invites us to think of: it could presumably have been prevented by a single sentence by Stallone to the policemen at the beginning, saying that he was a war veteran who had come to town to visit a friend. But such a logical way out of the mess would have left the producers without a movie, just as, if Hamlet had killed his uncle in Act I as there was every reason to do (hence the "Hamlet problem"—why didn't he?), Shakespeare would have had to look elsewhere for a subject for a new play.

The Amityville Horror II

The Amityville Horror II is not a successor to the original *Amityville* film. It's about the same house, but its action precedes in time the action of the earlier film. Moreover, it isn't a poltergeist story except for a bit at the beginning (and this was done much better in the recent film *Poltergeist*). Rather, it soon turns into a story of demon possession. It seems that the devil—or evil spirits or whatever—infest the house; as in *Poltergeist*, the souls of the dead are for some reason angered because a house was constructed on their graves. In retaliation they (it?) take forcible possession of the son of the family, compelling him to kill the entire remainder of the family. But the infinitely patient family priest, saying "He couldn't help it," seeks him out to exorcise the devil from him, and when he fails, he cries "Take me! Take me!" (a direct steal from *The Exorcist*).

All these goings-on are about as unconvincing as they were in *Amityville I*, though the plot of the new film is somewhat better constructed. Assuming, however, that one is interested in seeing a film about demon possession, one cannot do better than to see *The Exorcist*, in which every hypothesis to explain the victim's behavior is systematically eliminated save one (literal demonic possession); that film at least was a vivid exercise in inductive logic. *Amityville II*'s treatment of the same theme is not only derivative; it is episodic, uninvolving, and on the whole extremely thin soup without discernible redeeming features.

John Hospers teaches philosophy at the University of Southern California.

BOOKS

Islands of Survival

Life After Nuclear War
By Arthur M. Katz
Cambridge, Mass.: Ballinger Publishing. 1982. 422 pp. $27.50/$14.95.

The Final Epidemic: Physicians and Scientists on Nuclear War
Edited by Ruth Adams and Susan Cullen
Chicago: University of Chicago Press. 1982. 254 pp. $4.95 paper.

Reviewed by Max Klinghoffer

Life After Nuclear War and *The Final Epidemic* are, in a sense, companion pieces. Arthur Katz, in *Life After Nuclear War*, describes the consequences of such a war, based on the scientific information now available plus the use of projections. He has compiled an impressive array of tables and maps. But some of its conclusions are based on theory rather than on fact, and many of his projections assume an act of war encountered with little or no preparedness. To this extent, Katz's book is as much an argument for increased preparedness as it is an argument against nuclear war. He is undoubtedly correct, however, when he points out the "chain reaction" effect produced by the loss of vital supplies, transportation, energy, and skilled personnel.

According to Katz, the degree of centralization that has made us such a powerful industrial nation has now become a major weakness in the age of nuclear war. It is clear that our decentralized structure a century ago—with greater dispersal of our supplies and our manufacturing; with each dwelling more or less self-sufficient with regard to water, lighting, and heat; and with food supplies stored in or near each community—might have made us better able to withstand an attack. From reading Katz's book, one may conclude that our survival could depend on returning to some degree of decentralization—with, of course, adequate shelter.

No thinking person would deny that nuclear war would be the most devastating experience the human race has known. No thinking person wants to see a nuclear war. But Katz does note that the arithmetical increase in the megatonnage of a bomb does not result in a comparable increase in the scope of damage. Will there not, then, be "islands of survival"? And is that not the real essence of the matter?

When Katz criticizes the lack of planning and the failure of the government to provide shelter and various services, he raises valid concerns. The shelter program in this country is, in fact, decades delayed. But again, Katz's arguments may be interpreted as a plea for shelters, food stores, depots of medical supplies, and various programs for distributing essential items after an attack, thus implying that some will survive. He is correct in pointing out that our medical facilities are highly centralized and largely in urban areas. But there is a trend now to establish smaller medical facilities in outlying areas, and this has, to some extent, attracted physicians to these areas.

The Final Epidemic is a book of many contributors, all writers of prestige. Again, it would be impossible to deny the horrors of nuclear war as described in this book. But the various writers do not produce any realistic answers—only the suggestion that we should prevail upon government leaders to avoid nuclear war.

The book begins with Albert Einstein's warning to President Roosevelt, in 1940, that weapons of unprecedented destruction might result from research then being conducted in Nazi Germany. What would have happened to the world if the United States had not embarked on an intensive program to develop nuclear fission, and what would have been the result if Hitler had been the first to master this new and destructive power?

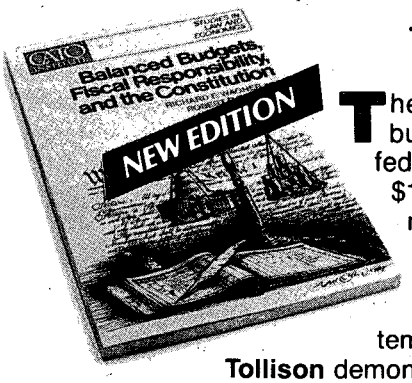
To bring this up to date, what would be the state of the world if the Soviet Union had these weapons and we did not? Fissionable materials and nuclear weapons are now within the reach of many smaller nations with considerable wealth and, too often, with irrational leadership. While both books correctly describe the magnitude of nuclear war, and the desirability of preventing it, they tell nothing of the consequences if some of the deranged leaders of nations were to have access to such weapons.

The Final Epidemic speaks of "exaggerated fears of the Soviet Union." But *are* these fears exaggerated? And what of the avowed intention expressed repeatedly by Soviet leadership to extend their own brand of government to the entire world?

The Final Epidemic ridicules some of

"The most persuasive case for a balanced budget ever!"

—James Dale Davidson
National Taxpayers Union



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the earlier instructions given school children with regard to getting under desks and covering themselves as best they could. Of course this is subject to ridicule if we are thinking of close proximity to the detonation, where blast, heat, and radiation are intense. But what of the outlying, peripheral areas? Is it unreasonable to assume these children may have some degree of protection from flash, from flying glass, and from debris if they make themselves less vulnerable targets?

Dr. Howard H. Hiatt, one of the contributors to *The Final Epidemic*, concludes his section with the statement that "we must inform them [our political and military leaders] and the American people of the full-blown clinical picture that would follow a nuclear attack and of the impotence of the medical community to offer a meaningful response." I would have a higher regard for this book if Dr. Hiatt had advocated informing the government and the citizens of the dangers of nuclear war and then had added something like this: "Although the problems which would confront us would be unprecedented, those medical people who survive will make every possible effort to salvage the casualties and to alleviate pain and suffering."

Perhaps all the contributors to *The Final Epidemic* should consider that, unlike the bright promise in older Disney films, wishing will not make it so.

Max Klinghoffer is a physician specializing in disaster medicine.

Solutions, Not Excuses

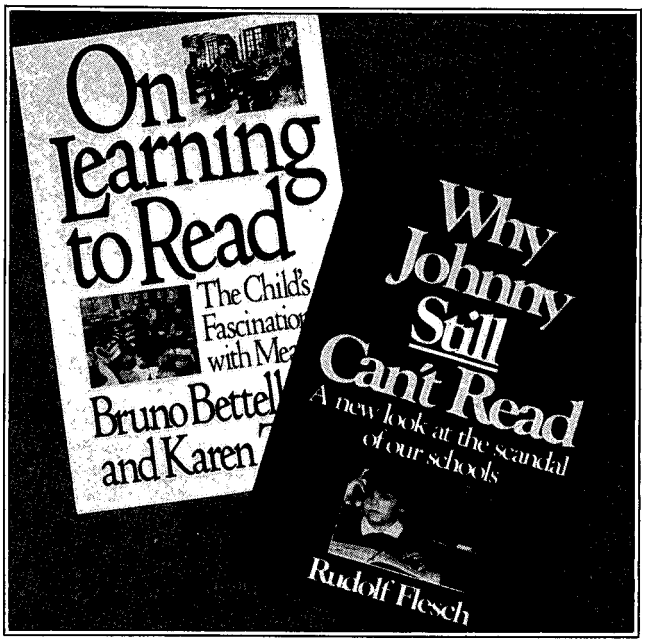
On Learning to Read: The Child's Fascination with Meaning
By Bruno Bettelheim and Karen Zelan
New York: Knopf. 1982. 306 pp.
$13.95.

Why Johnny Still Can't Read: A New Look at the Scandal of Our Schools
By Rudolf Flesch
New York: Harper & Row. 1981.
192 pp. $10.95.

Reviewed by Marva Collins

Today's facts must awaken us all to the reality that something is drastically wrong with the reading programs in our schools. A sad state of affairs has come to pass in the American system when a four-year college has to send a student to our grammar school (Westside Preparatory School) after 16 years of schooling in order to learn to read!

We must face the stark reality that the failure of our nation's children to read is not the fault of the children. Parents have enunciated their hopes for having their children educated by sending them to school. Teachers and educators have enunciated all of the reasons why children are not learning. While teachers, experts, and parents are trying to find some common ground, we have, in the meantime, choked a nation of children on overdoses of ignorance. *Why Johnny Still Can't Read*, by Rudolf Flesch, and *On Learning to Read*, by Bruno Bettelheim and Karen Zelan, address this problem of illiteracy, each suggesting solutions rather than excuses for its prevalence in American schools today.


On Learning to Read
Bruno Bettelheim
and Karen Zelan
Why Johnny Still Can't Read
A new look at the scandal of our schools
Rudolf Flesch

What reading method is best—the look-say, the phonetic, or the experimental method? The argument has gone back and forth from court to court between parents, experts, and educators. Flesch himself recognizes that "there are no simple answers to complex problems." He argues, however, that just as we need keys with which to open doors, children too, need keys to unlock words. The phonics-first approach, Flesch suggests, can provide those keys. Certainly, it is an approach that I have always used with great results, even in teaching reading to children who had been written off at 14 other schools or who had been labeled by the "experts" as "retarded."

But teaching phonics alone is insufficient. To teach only phonics and not comprehension and word meaning, and to teach a child how to read without inspiring a love for reading is like giving someone a fishing rod without teaching him how to fish.

Bruno Bettelheim and Karen Zelan address precisely this point in their book. They steadfastly tell us that today's sophisticated children do not learn to read because they are bored with the banalities of the mundane reading materials offered them. Children all across America are sending educators signals that they are simply bored with what we as educators push off on them as education. The present lock-step system of education in America deprives children of the great intangible gift of freedom that will allow them to become responsible adults.

Bettelheim and Zelan contend that children cannot learn to read if educators teach them too thoroughly that they can't by labeling them as inferior. Nor will they learn if the fetid curriculums across the country continue to be used. Instead of literacy, the result will only be discontent.

In both books, the authors recognize that the current academic situation is desperate. But it is not hopeless. Flesch's book gives hope to millions of parents who have been led to believe that something is wrong with their children. He proposes commonsense changes in how our children are taught to read, emphasizing the phonics-first approach. Bettelheim and Zelan do not endorse a particular reading method but look at the content of what is taught. Any method will work if the teacher works to provide an interesting curriculum.

A change must come in how our children learn to read so that the American dream does not turn into the American nightmare. For those seeking solutions, not excuses, for America's illiteracy, *On Learning to Read* and *Why Johnny Still Can't Read* are must reading.

Marva Collins taught for many years in the public school system before founding the Westside Preparatory School in Chicago.

Economic Conclusions vs. Economic Thinking

The Politics and Philosophy of Economics
By T. W. Hutchison.
New York: New York University Press. 1981. 310 pp. $25.00.

Reviewed by David R. Henderson

The Politics and Philosophy of Economics shocked me into thinking about my discipline. For that reason I highly recommend it to economists and to anyone else interested in economics. In a series of nine essays, British economist T. W. Hutchison covers subject matter ranging from Marxist economist Friedrich Engels, to John Maynard Keynes versus the Keynesians, to the postwar German economic miracle, to the Austrian school of economic thought, to the limitations of general theories in macroeconomics. If there is a unifying theme, it is that hewing to a "party line" can cause intelligent people to ignore reality.

Hutchison makes his point very effectively by drawing on issues involving many of the great economists of the last 100 years. In an essay on Engels, he notes that Engels and Marx foresaw 40 revolutions in 30 years, none of which took place, but that they were undaunted in their faith that there would be a revolution of the proletariat in an advanced industrial country. He also quotes at length from an Engels criticism of a fellow socialist for not understanding that a price mechanism is necessary for allocating resources efficiently. Engels's criticism reads very much like F. A. Hayek's statement of the same argument 50 years later, but Engels apparently ignored his own criticism completely.

In his essay on the German postwar economic miracle, Hutchison quotes from British and American economists' assertions in 1948 that free-market policies would not lead to German recovery. In fact, it was adoption of such policies that brought Germany to prosperity within a few years. In an essay on the Cambridge school economists, Hutchison quotes Maurice Dobb's assertion in 1941 that the forced collectivization of Soviet agriculture that starved literally millions "resulted in something approaching famine conditions in certain areas."

Two of the most interesting essays deal with the thought of John Maynard Keynes. I had never known how to reconcile the Keynes who called for massive government spending during the Depression with the Keynes who enthusiastically reviewed *The Road to Serfdom*, Friedrich Hayek's critique of central economic planning. Hutchison's essay, "Keynes versus the Keynesians," resolves the paradox. Keynes advocated massive public spending as a temporary solution to an unemployment rate in Britain of 22 percent, but not as a general cure for unemployment. In 1937, Keynes *opposed* increases in general government spending as a solution to Britain's 11-12 percent unemployment rate.

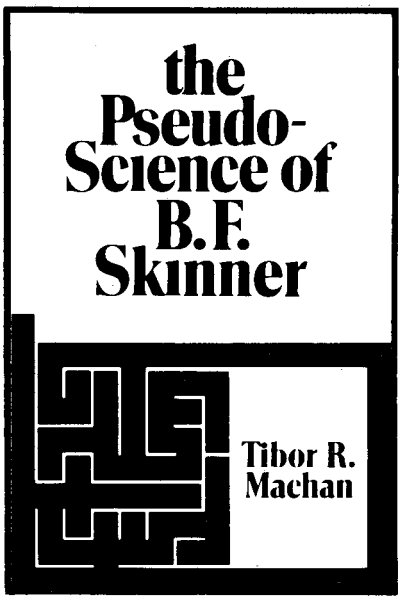
Moreover, Keynes was an ardent opponent of rationing. In 1940, with Hitler threatening Britain's survival, Keynes wrote:

> *If the community's aggregate rate of spending can be regulated, the way in which personal incomes are spent and the means by which demand is satisfied can be safely left free and individual. . . . This is the only way to avoid the destruction of choice, and initiative, whether by consumers or producers, through the complex tyranny of all-round rationing.*

Why then do we get such a distorted view of his ideas today? Hutchison says that the "Keynesians" did not really agree with Keynes on a wide range of issues but used his name to push their own agenda. Many of the Keynesians discounted his opposition to government control. Keynesian economist Joan Robinson claimed that some of Keynes's clear statements against centralized economic planning were "ill-considered" and "quite contrary to his main argument." In describing Keynes's last writings advocating only a limited role for government in international balance-of-payments policy, Lord Kahn, another famous British Keynesian, called Keynes "a sick man" who had made his recommendations "against his better judgment." Robinson even went so far as to say that some Keynesians "sometimes had some trouble getting Maynard to see what the point of his revolution really was." As Hutchison points out, it is no wonder that Keynes is reported to have said, "I am not a Keynesian."

The moral of the Keynes story is the danger of following a party line and of confusing a system of conclusions with a system of thought. Many of the Keynesians embraced Keynes's advocacy of government spending as a solution for unemployment. But they were

B.F. Skinner Scrutinized



Psychologist B.F. Skinner of Harvard has become very influential. Prison reform, pedagogy, drug addiction programs, public school reform, etc., are guided by his views.

THE PSEUDO-SCIENCE OF B.F. SKINNER shows why adopting Skinnerism is a mistake. Tibor Machan's carefully reasoned and powerfully written work demonstrates that B.F. Skinner is unscientific. But Machan does not end here. He shows that a dynamic and rational conception of science in fact supports a view of human nature and society quite the opposite of Skinner's technocratic totalitarianism.

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not really believers in a system of thought. Instead, they became slaves to certain policy conclusions and never really did much thinking after that. Britain's sad economic state, attributable to its economic policymakers' following Keynesian advice, illustrates the harm that can come from being attached to conclusions rather than thought.

Having seen the consequences of being tied to a set of conclusions, I could hardly resist looking more objectively at my own views. Hutchison's essay on the Austrian school forced me to do so. I had not realized that there are two Friedrich Hayeks, one before 1937 and one after. Hutchison points out that before 1937, Hayek believed that an economy reaches equilibrium. But that is true only if people have full knowledge, or what Hutchison calls "Allwissenheit." After 1937, Hayek argued that it is impossible to have full knowledge.

The implications of imperfect knowledge are enormous. We can't be sure that the economy will reach equilibrium. It is possible for a free-market economy to sink into a depression. It is also not certain that government intervention in people's economic decisions will make things worse, since people without full knowledge might not have made the right decisions anyway.

To say all this is not to deny that government intervention is usually harmful. But after reading Hutchison's book, I realize that I hold that view less as a theoretical necessity than as a conviction based on experiences and morality.

David Henderson is an economist in Washington, D.C. He received his Ph.D. in economics from the University of California, Los Angeles.

The Vice of The Virtuous

The Gentleman in Trollope: Individuality and Moral Conduct.
By Shirley Robin Letwin.
Cambridge, Mass.: Harvard University Press. 1982. 303 pp. $20.00.

Reviewed by David Norton

The Gentleman in Trollope offers a moral portrait of opaline fascination, but there are initial obstacles. In the United States I expect that the audience for a detailed study of "the gentleman" is as minimal as the audience for Trollope's novels.

Our reluctance may be compounded by the author's belief that the word *gentleman* "describes something so peculiarly English that it cannot be translated," as well as by her unhesitating denomination of England as "the greatest civilization on earth." And the 'Spirit of '76' may be rekindled in us by her justification of hereditary aristocracy. But if we are reminded of Bernard Shaw's observation that what divides England and the United States is their common language, "the gentleman" as presented by Letwin and Trollope will in some fundamental respects be no less attractive on our side of the Atlantic than on theirs.

The supposed antagonism between social order and erratic, "subjective" individuality is overcome.

At bottom, the gentleman is he or she (yes, women may be gentlemen no less than men; the term *lady* carries the wrong connotations and is not used) who understands human nature as "the capacity to shape a character" and responds to the challenge. Letwin is effective at advocating this understanding. "Experience," she says, "is not what happens to a man; it is what a man does with what happens to him. It is the dealing with events, not the events themselves.... Human behavior is never a mechanical reaction to a cause, like the motion of a billiard ball to the cue that strikes it, but a chosen response."

Because every human response is a chosen response (in Sartre's words, not to choose is a choice), all human beings are self-determined. The gentleman acknowledges this, accepts self-responsibility, and strives to become a person of a certain sort. The sort of person a gentleman strives to become is reflected in such virtues as "polish," calmness, collectedness, simplicity, courage, courtesy, and truthfulness; but the central virtue is integrity. Integrity is unity and consistency of personality, and it is such unity and consistency that deserves to be termed "character."

Integrity is both the achievement of enduring, distinctive individuality and the foundation of social order—for the integral individual can be relied upon by others. Such individuals invariably do what they are responsible for doing, not out of fear of punishment under law or in order to avoid incurring the disapproval of others, but in truth to themselves. In this way the supposed antagonism between social order and erratic, "subjective" individuality is overcome.

That antagonism is but one of the unfortunate outgrowths of what Letwin terms the morality of the "self-divided man." It pits reason against passion, spirit against matter, splitting each person into a "higher" and a "lower" side and promising immortality to those in whom the higher side is victorious. Clearly, such a conception precludes the integral wholeness that the morality of the gentleman is bent on achieving.

This conception is also hostile to the distinctive individuality that the morality of the gentleman prizes. In the morality of the self-divided man, individuality represents that variety and change of the lower order that is to be overcome by devotion to changeless, absolute truths. By contrast, the morality of the gentleman accepts and indeed prizes variety and responds to the challenge of achieving the necessary order within it.

It is ultimately to harmonize diversity and preserve distinctive individuality that gentlemen exhibit "respect for formalities," where "formalities" include both laws and unwritten rules of conduct. But the formalities must be of a certain sort. They must be such that subscription to them is not the adoption of ends of action but the agreement by individuals to pursue their self-chosen ends in ways that do not interfere with the similar pursuits of others.

Respect for formalities is an aspect of what Letwin terms the "most surprising" of the gentleman's virtues, his diffidence. Diffidence, she says, is unlike humility in that it carries no suggestion of unworthiness or inferiority. Rather, it is a keen recognition of the limitations of all human reason, together with an unwillingness to claim special sanction for one's own.

The foundation of the gentleman's diffidence is exhibited in the figure of Violet Uffingham of Trollope's Phineas Finn. *Violet's humour springs from her seriousness. It expresses her awareness that everything in the human*

world can be seen from different standpoints, that each can render the others absurd, and that none of this makes everything absurd nor renders it impossible to stay with one's own standpoint and to enjoy the difficulties of doing so as part of the sport of living.

This is indeed an admirable quality and a high virtue, and there are many other striking virtues, illustrated from Trollope's novels, in Letwin's chapters on manners, occupations, love, ambition, and religion.

But if it is a general truth that nothing in life is perfect, that all good things have "the defects of their virtues," then the conspicuous question left unposed by Letwin is, "What is (morally) *unattractive* in the gentleman?" My own answer: gentlemen are, characteristically, unperturbed (or secretly pleased?) at their own rarity.

Why is this a defect? Because if Letwin is correct, the gentleman is he or she who responds appropriately to the understanding of human nature as "the capacity to shape a character." Human nature is, of course, perfectly general. Then how can gentlemen be so unconcerned about their own rarity? Do they idly suppose it is because only a few are made "of the right stuff"? Then they fall into fallacious elitism, for the stuff of which gentlemen are made is none other than the human nature in which all persons participate equally.

Perhaps the gentleman has oftenest (not always) enjoyed certain conditions that are not general? Letwin suggests as much in her defense of hereditary aristocracy.

Those who, in the nursery, or in the drawing room, have heard nothing coarse or sordid, who have had the opportunity to converse with the cultivated and wise and have possessed the books with the leisure for reading and reflecting, are more likely to be fit to live on an eminence and serve as a model to their fellows. If such people have taken care over many generations to hand on their achievements and not to adulterate their inheritance, they will form a class who consistently display the virtue of a gentleman in its most polished form.

What is the purpose of this "display"? Letwin says it is to provide a model; but as a model the gentlemen have evidently been ineffective, for we are told that they were always a rarity and are now nearly extinct. The gentlemen's unconcern over this suggests that the purpose of their display may in fact have been to exhibit themselves, not as models for emulation, but as eminences to be revered.

Why should we not be concerned that a people, and not just a class, "take care over many generations to hand on its achievements and not to adulterate its inheritance"? But if we are so concerned, how can we be uninterested in the question of generalizing the conditions conducive to this outcome? Neither Letwin nor the gentleman she and Trollope describe show a trace of such an interest.

The book is marred by negligent proofreading. My copy has a list of "errata" pasted to the flyleaf and contains an additional 45 typographical errors to the point at which I stopped counting. A well-produced book contains three or four such errors, and an excellently produced book contains none. I am reminded of this book's advice that the gentleman exhibits "a readiness to take pride even in performing unnoticed, tedious tasks."

David Norton teaches philosophy at the University of Delaware.

Do Mergers Matter?

Mergers in Perspective.
By Yale Brozen.
Washington, D.C.: American Enterprise Institute. 1982. 85 pp. $14.95/$6.95.

Reviewed by William P. Field

Mergers in Perspective contains a wealth of information on the newly important merger issue. Yale Brozen, professor of business economics at the University of Chicago, begins by pointing out that the United States has the world's most restrictive laws with respect to mergers. The central issue of concern in the book is the wisdom of such laws.

Brozen first summarizes the US merger experience, with merger waves occurring in 1898–1902, 1926–30, and 1966–70. A fourth wave seems to be materializing at present. The character of these mergers has changed drastically. Horizontal mergers dominated in the 1898–1902 period, when the notorious trusts in oil, tobacco, steel, and other industries were formed. In the 1960s and today, conglomerate mergers for market extension, product extension, or between unrelated firms have dominated. This change in the nature of mergers has resulted primarily from changes in antitrust legislation and enforcement, with horizontal mergers between significant competitors almost totally prohibited since 1950.

Brozen subsequently examines whether these merger waves led to rising industrial concentration. While the 1898–1902 wave did, the evidence indicates that average concentration in American industry has changed little throughout the rest of the 20th century. Neither government policy nor the actual level of merger activity seems to have had any significant effect on concentration. Even the mergers of the 1898–1902 period had little permanent effect on the structure of American industry. Brozen argues, with considerable evidence and logic to support his position, "that fundamental technological and economic forces determine industry structure and that it is little different today from what it would have been without the turn-of-the-century consolidations."

Brozen devotes a major portion of the book to conglomerate mergers because of their current relevance, first analyzing the effect of conglomerates on efficiency. Dennis Mueller has argued that conglomerate mergers do not increase efficiency because the acquiring companies earn only normal returns on the assets acquired. Brozen criticizes this reasoning because it ignores the existence of a competitive market for acquisitions. The prices of companies eligible to be acquired are bid up until only a normal return can be earned by the acquiring company. More meaningful evidence supporting the greater efficiency of the acquiring company lies in the premiums paid for acquired companies. These premiums have averaged 25 percent or more since 1955.

Additional evidence on the efficiency of conglomerates is provided by their greater value added per employee and their higher level of wages relative to single-industry firms. Exactly why conglomerates are more efficient is unclear. Their greater efficiency may be a result of joint use of facilities and personnel, removal of incompetent managers, closure of unproductive operations, or advantages in raising capital.

Brozen next looks at the question of conglomerate power. He considers the predatory pricing issue, explaining the view of most economists specializing in industrial organization that an attempt to monopolize by temporarily selling at a loss to bankrupt competitors is highly unlikely to be a profitable policy. While conglomerates do have a superior ability

to lose money, the amount that has to be lost in the act of monopolizing is so large that huge profits would have to be made on the monopoly established. But any attempt to raise prices inevitably must face the danger of entry of new competitors. Thus, the successful use of predatory pricing by conglomerates seems quite unlikely. Brozen effectively responds to such anticonglomerate arguments as the danger of reciprocal dealing and the possibility of mutual forbearance.

Some economists have argued that conglomerates should be forced to enter industries by beginning from scratch rather than merging with existing firms, claiming that the new entry would increase competition and that conglomerate mergers prevent this expansion of competition from occurring. Brozen points out that this argument ignores the most important reason for conglomerate mergers—the opportunity to acquire poorly managed assets. Evidence indicates that conglomerates generally acquire firms that are significantly less profitable than the average for their industries. After acquiring such relatively unprofitable firms, the acquirers, on average, are able to earn a competitive return. Thus, such conglomerate takeovers perform the socially valuable function of weeding out incompetent management. Barring such mergers would drastically restrict this social gain. Also, barring firms from selling their assets to large conglomerates would make development of new firms less attractive. Brozen concludes that restrictions on conglomerate mergers simply protect inefficient management and discourage the development of new firms.

Brozen next considers the issue of aggregate concentration (dominance of the entire economy by a small number of firms). He questions arguments regarding the dangers supposedly resulting from higher aggregate concentration. It is dominance of a market for a specific product that yields monopoly power. Huge size provides little power if substantial competition exists in every market. Brozen challenges the almost universally accepted position that aggregate concentration has been rising, arguing that a more reasonable interpretation of the evidence indicates the trend is toward declining aggregate concentration.

In examining the economic and political power of the largest firms in the US economy, Brozen claims that the giant firms of the past and present really have had very limited economic power. With respect to political power, it is the smaller (and more numerous) firms that generally have more influence. Government policy toward the oil industry has consistently favored independents over the majors. The huge firms in the automobile and pharmaceutical industries certainly have had little success in recent years in combatting government regulators. Farmers, trade associations of small firms, and organizations consisting of licensed professionals, on the other hand, seem to have much greater political influence.

Brozen concludes that, with respect to horizontal mergers, there is little need for government restriction. Even mergers for the purpose of monopolizing are generally unsuccessful in achieving that goal. Also, concentrated industries often perform better than unconcentrated industries, with only a very small number of competing firms necessary to force competitive pricing policies. With respect to conglomerate mergers, Brozen has no doubts at all—all restrictions should be eliminated. Basically, Brozen argues that mergers, rather than being a method of monopolizing, are actually a crucial element of the dynamic market process.

William P. Field, Jr., is a professor of economics at Nicholls State University in Louisiana.

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What Every Taxpayer Should Know

Better Government at Half the Price

By James Bennett and Manuel Johnson
Aurora, Ill.: Caroline House.
1981. 115 pp. $5.95.

Reviewed by Lou Witzeman

"The Bureaucratic Rule of Two"—that a service provided by a public agency rather than a private firm costs more by a factor of two—receives stunning economic proof in *Better Government at Half the Price.* The book should be destined for the hands of every taxpayer with an income of more than $500 per month and an IQ exceeding 67.

The authors commence with Ben Franklin's old axiom, "In this world nothing is certain but death and taxes." This axiom, coupled with their concluding statement that "taxes can be cut dramatically, yet no government services need to be reduced (though perhaps many should be)," captures the flavor of the authors' argument. They proceed to itemize an amazing array of services that can be and have been provided by private enterprise at prices consistently following the Bureaucratic Rule of Two. Many of the services are sacred cows of traditional governmental operations, such as fire and police provision.

Carefully documented with data drawn from private research and governments' own files, the book submits proof of its hypothesis. It then offers a fascinating chapter presenting the opposing views of labor unions, which frankly admit that their words are self-serving and then trot out the old negative myths about big, bad business.

The book can be read easily in an evening. The Internal Revenue Service in its infinite wisdom and caprice should elect

to mail it out with all tax returns (and charge for it) when we next are invited to contribute "our fair share." The world as we know it would change overnight.

Lou Witzeman is the chairman of a fire-fighting company operating in Arizona and a founder of the Private Sector Fire Association.

LETTERS

(Continued from p. 11)

observed at very high doses. In our column, we did not mention specific doses, but the small doses we discuss in our book have not been reported to produce serious adverse physiological effects. There is an extensive European literature on the long-term human use of bromocriptine in Parkinson's disease at over 10 times the dose suggested in *Life Extension.* Bromocriptine is now FDA-approved for use in Parkinson's disease, at a long-term, relatively high-dose application.

Histamine, like many other substances produced by the body, has different functions and effects under different conditions. For example, "this noxious substance" is necessary for cell division. Whether Orient likes it or not, histamine release is also necessary for orgasm to occur. The use of small doses of niacin to produce a release of histamine is not a threat to health, as Orient's letter suggests. Some people find it uncomfortable, but it is not dangerous. Long-term use of much higher niacin doses than are required to produce this effect can indeed cause ulcers in some sensitive individuals. Study of a standard pharmacology reference such as Goodman and Gillman's *The Pharmacological Basis of Therapeutics*, or even *The Physician's Desk Reference* (merely a collection of FDA-approved package inserts), would reveal that a common side effect of antihistamines is impairment of sexual function.

Durk Pearson and Sandy Shaw
Palos Verdes, CA

Monetary Dissident

I am heartened and encouraged to hear about Henry Mark Holzer's new book, *Government's Money Monopoly* (reviewed in June). I sit in jail today, facing 3½ years or more in a federal prison, precisely because I oppose the government's monopoly power "to coin money." Taxation is theft. That alone should be sufficient cause to bring one to resist, but it was knowledge of the monetary fraud imposed upon myself and all Americans, through the government's monopoly power, which prompted me to take a public stand by refusing to pay any more income taxes. I sought to resist two evils with one blow; I cut them off at the pocketbook, because their money was no good!...

Mr. Holzer's book is particularly important, because he has cut through the deceptions and focuses on exactly the right issues. Many are confusedly seeking merely to restore the gold standard. The root cause of monetary chaos today is not that we abandoned the gold standard but that we ever allowed government to tell us in the first place what money is. Once a government possesses such powers, it will inevitably debase the currency, as history has amply demonstrated, even if it starts out with a relatively sound money....

Timothy A. Dove
Anchorage, AK

Elgin and the Turks

If Lord Elgin wanted to save the Parthenon freizes from the invading Turks in 1810 (Brickbats, Oct.), he should have gotten there sooner. The Turks invaded in 1455 and stayed till 1822, except for a Venetian invasion that took Athens in 1687, when the powder stored in the Parthenon exploded during a mortar bombardment.

John Haillee
Florence, SC

CLASSIFIED

ANNOUNCEMENTS

THE SEARCH FOR STABLE MONEY: The Cato Institute will sponsor a conference on monetary reform January 21-22, 1983, at the Capitol Hilton, Washington, D.C. Participants will include Henry Wallich, Karl Brunner, Anna Schwartz, Beryl Sprinkel, Allan Meltzer, Fritz Machlup, Robert Mundell, and Leland Yeager. For more information, contact Janet Nelson, Cato Institute, 224 Second St., SE, Washington, DC 20003; 202/546-0200.

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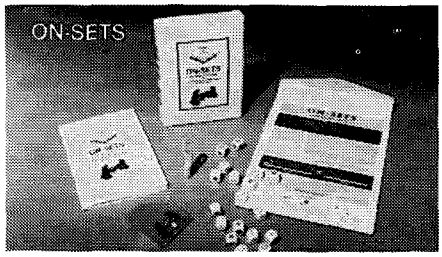
THE CLASSIFIED AD DEADLINE FOR THE MARCH ISSUE IS JANUARY 1.

Games for Thinkers

from WFF'N PROOF publishers

The emphasis is not on what to think, but how to think!



The Game of Set Theory, by Layman E. Allen, Peter Kugel (M.I.T.), Martin Owens (Mitre Corp.). This 30-game package can instruct students in kindergarten through high school in basics of set theory as well as extend a challenge to any adult exploring "new math." Encourages players to enjoy mathematics while learning concepts of union, intersection, logical differences, complement, identity, inclusion, null and universal sets. 2 to 4 players. **$13.00***

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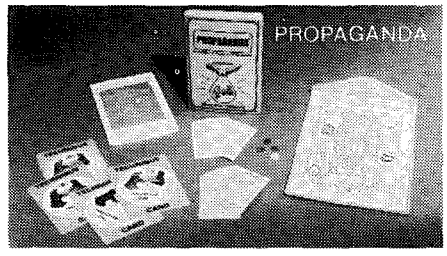
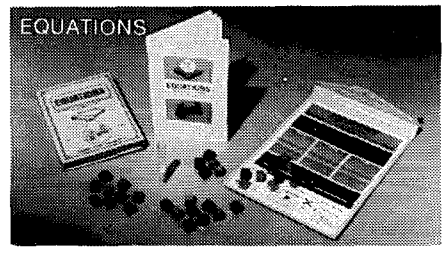
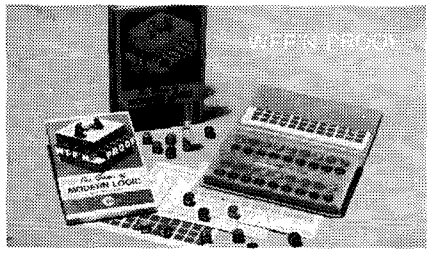




The Game of Creative Mathematics, by Layman E. Allen. Our most popular game of mathematics. Five-game kit for use in intermediate grades through high school. Includes arithmetic operations such as addition, subtraction, multiplication, division, exponents and radicals in a variety of number bases. Like chess, the game can be as simple or as complex as the players make it. 2 to 4 players. **$13.00***



The Game of Modern Logic, by Layman E. Allen, (Professor of Law and Research Social Scientist, University of Michigan). The original game of symbolic logic. Twenty-one-game kit that starts with speed games that challenge intelligent adults. The kit provides entertainment and practice in abstract thinking relevant for philosophy, mathematics, English, and computer programming for junior and senior high school. 2 to 4 players. **$16.00***

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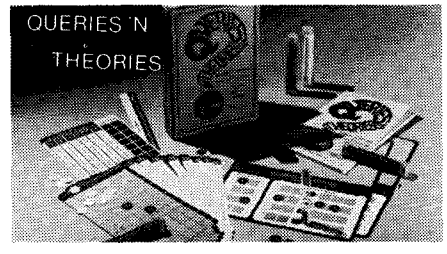
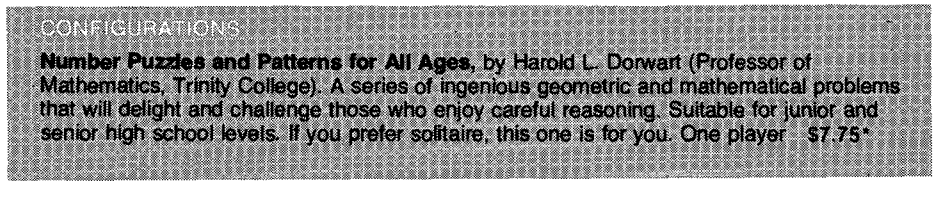


The Game of Science and Language (a simulation of scientific method and generative grammars), by Layman E. Allen and Joan Ross (University of Michigan) and Peter Kugel (M.I.T.). Through inductive reasoning, players learn scientific method of inquiry and gain skill in organizing, analyzing, and synthesizing data while engaged in an intriguing game of linguistics. For teenagers and adults. 2 to 4 players. **$16.00***



Number Puzzles and Patterns for All Ages, by Harold L. Dorwart (Professor of Mathematics, Trinity College). A series of ingenious geometric and mathematical problems that will delight and challenge those who enjoy careful reasoning. Suitable for junior and senior high school levels. If you prefer solitaire, this one is for you. One player. **$7.75***

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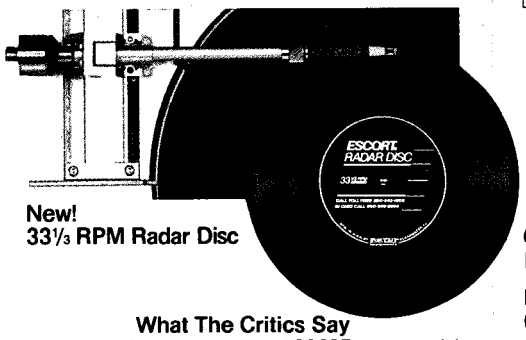

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